

Regulatory Reporting

		<ul style="list-style-type: none"> • Check for spelling/grammatical mistakes and cosmetic problems. • Changes should be sent back to the department that prepared the page. Make sure that all reviewers have signed off on the completed pages. A list should be maintained on how items were resolved.
General Accounting	Coordinator(s)	12. Send out the draft for comments.
General Accounting	Coordinator(s)	13. Respond to comments and coordinate any necessary changes with the preparers.
General Accounting	Coordinator(s)	14. Prepare report for printing. The following should be discussed with the print shop: <ul style="list-style-type: none"> • Date the reports will be available for printing. • Adequate paper supply on hand for covers and other pages.
General Accounting	Coordinator(s)	15. Send to print shop for printing.
General Accounting	Coordinator(s)	16. Ensure final report is appropriately copied.
General Accounting	Coordinator(s)	17. File copies with the federal and/or state regulatory commission.
General Accounting	Coordinator(s)	18. Send out mass mailing.
General Accounting	Coordinator(s)	19. Complete support binders.

Preparer's Process

DEPARTMENT	RESPONSIBILITY	ACTION
All Departments	Preparer	1. Read the instructions for the page to determine what information is required by the federal and/or state regulatory commission.
All Departments	Preparer	2. Run the necessary reports to obtain the required information.
All Departments	Preparer	3. Perform necessary tie-outs, footing and reasonableness checks.
All Departments	Preparer	4. Check for spelling / grammatical mistakes and complete page checklist.
All Departments	Preparer	5. Give to the data input person to be entered into the specified software.

Data Input Process

DEPARTMENT	RESPONSIBILITY	ACTION
All Departments	Data Input Person	1. If training is needed on the software, please contact the coordinator.
All Departments	Data Input Person	2. Input information into the specified software package.
All Departments	Data Input Person	3. Print out a copy of the page and re-verify footing.
All Departments	Data Input Person	4. Give the copy of the page, along with the back-up, to the reviewer. <i>Note: The preparer and the data input person are usually the same.</i>

Reviewer's Process

DEPARTMENT	RESPONSIBILITY	ACTION
All Departments	Reviewer	1. Review page to determine what information is required by the federal and/or state regulatory commission.
All Departments	Reviewer	2. Perform necessary tie-outs, footing, and reasonableness checks.
All Departments	Reviewer	3. Check for spelling / grammatical mistakes and cosmetic problems.
All Departments	Reviewer	4. Sign off on completed page along with back-up and e-mail completed page checklist along with confirmation of completion to coordinator.

Training and Documents

Training:

- The report coordinator should ensure that any training needed for persons who will be inputting information into the software is provided.

Additional Documents:

Who Should Know

- Corporate Accounting
- External Reporting
- Tax
- Fixed Asset Accounting
- Payroll
- Gas
- Fuels Accounting
- Corporate Secretarial
- Rates
- Billing
- Transmission and Distribution
- Legal
- Energy Trading Accounting
- Control Area Operations
- Fuels and Emission Allowance Accounting
- Treasury

Related Information

Documentation & Retention Standards for Reports Policy

Review of Regulatory Reports Policy

Contacts

NAME	ROLE	DEPARTMENT
As assigned	Coordinator	General Accounting
Scott Field	Supervisor	External Reporting
Gwen Pate	Manager	General Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

FERC - Federal Energy Regulatory Commission

Form 1 - Form required to be filed by major electric utilities with FERC and/or state regulatory commissions, which is designed to collect financial and operational information.

Form 2 - Form required to be filed by major gas utilities with FERC and/or state regulatory commissions, which is designed to collect financial and operational information.

Form 2A - Form required to be filed by each Non-Major Natural Gas Company with the FERC, which is designed to collect financial and operational information.

Form 3Q - Supplements Annual Report Forms 1, 2 and 2-A and is submitted for each Major and Non Major Electric and Natural Gas Company.

PUCO - Public Utilities Commission of Ohio - Reports filed with PUCO are The Cincinnati Gas & Electric FERC Form 1 (with supplement of PUCO - basis pages) and PUCO version of Form 2.

KPSC - Kentucky Public Service Commission - Reports filed with KPSC are The Union Light, Heat & Power FERC Form 1 and 2.

IURC - Indiana Utility Regulatory Commission - Reports filed with the IURC are PSI Energy Form 1 and Lawrenceburg Gas Annual Report.

Kick-off meeting - A meeting held before year-end with all major departments supplying information for Form 1, 2, and 2A.

Revisions

The following revisions are effective 01/01/02:

- Update policy for personnel changes
- Reference to WHG&E reporting requirements removed

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revisions are effective 09/01/05:

- Update policy process ownership to General Accounting

- Update policy for new 3Q report



Reconciliation & Analysis of Accounts

Functional Area: General Accounting
Sarbanes-Oxley Category: High Level Controls
Process Owner: Gwen Pate
Effective Date: 08/01/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

This policy addresses account reconciliation and analysis for all accounts as specified, except for intercompany accounts, which are addressed in a separate policy.

An account owner (e.g., the department/individual responsible for reconciling the account) shall be established and maintained for each account. The New Account Set-up & Definition (Account Standards) policy defines the account standards.

Effective January 1, 2005, all new Balance Sheet accounts for all corporations shall be reconciled at least once per quarter, or more frequently as determined by the account owner. All Balance Sheet accounts existing as of January 1, 2005, that are reconciled on an annual or semi-annual basis shall be transitioned to a reconciliation frequency of quarterly or monthly by September 30, 2005. During the transition period, all balance sheet accounts with a reconciliation frequency of annual or semi-annual must be reconciled at least once during the current calendar year. For example, an account that is currently reconciled on an annual basis must be reconciled prior to December 31, 2004. A reconciliation completed in January 2004 relating to December 2003 balances is not acceptable under this policy. The Controller must authorize, in writing, any exceptions to this policy.

Each account's reconciliation should be reviewed by a peer, supervisor or manager to the person preparing the reconciliation at least annually, or more frequently as considered necessary by the manager based on his/her assessment of the risks/materiality of the account. The assessment of reviewer (manager, supervisor or peer) and the review frequency should be documented and approved by the manager.

Reason for Policy

Timely and effective Balance Sheet account reconciliations that have been appropriately reviewed and approved in accordance with Company policy provide assurance of financial statement integrity. The proper completion and review of account reconciliations is also very important as it relates to the Company's Sarbanes-Oxley (SOX) Section 302 quarterly certification effort and the Company's SOX Section 404 assertion process.

Account ownership as defined in New Account Set-up & Definition (Account Standards) policy provides the following benefits:

- To ensure responsibility for accuracy of data within an account is held by those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows



Reconciliation &
Analysis Process Flow

Process Description/Narrative

Account reconciliation is a basic control to ensure the integrity of financial information. Account reconciliations not only provide assurance that financial information is fairly stated; they also provide a mechanism to timely identify and correct any process or control problems. Additionally, the requirement of SOX that a public company's management certify to the accuracy and reliability of the company's financial statements on a quarterly basis increases the importance of

- proper and timely account reconciliations that have been appropriately reviewed and approved. Account reconciliations are required to be completed in accordance with this Cinergy Corporate policy.

Effective January 1, 2005, all new Balance Sheet accounts for all corporations shall be reconciled at least once per quarter, or more frequently as determined by the account owner. The Controller can make exceptions to this requirement. The account owner must submit a detailed listing of accounts for which they are requesting an annual or semi-annual reconciliation frequency to the Controller. The account listing should include the Account Number, Corporation, Description of the Account, the Last Reconciled Date and the Reason why the account does not need to be reconciled more frequently than annual or semi-annual in order for the quarterly financial statements filed with the SEC to be properly stated. The Controller must document approval of the request in writing. The approval document should be maintained in the account reconciliation files.

All Balance Sheet accounts existing as of January 1, 2005, that are reconciled on an annual or semi-annual basis shall be transitioned to a reconciliation frequency of quarterly or monthly by September 30, 2005, unless an exception from the Controller has been obtained. During the transition period, all balance sheet accounts with a reconciliation frequency of annual or semi-annual must be reconciled at least once during the current calendar year. For example, an account that is currently reconciled on an annual basis must be reconciled prior to December 31, 2004. A reconciliation completed in January 2004 relating to December 2003 balances is not acceptable under this policy. The account owner is responsible for assessing risks associated with his/her accounts and assigning an account reconciliation frequency based upon this assessment. Accounts deemed "high" risk should be reconciled monthly, while accounts considered "low" risk can be reconciled less frequently (i.e., quarterly). Risks considered by the account owner include the following:

- Account balance,
- Nature of account,
- Volume of transactions,
- Account balance variability,
- Complexity of transactions,
- Regulatory impacts and
- Audit impacts.

Account owners should also consider any other risks they deem appropriate when determining account reconciliation frequency.

Each account's reconciliation should be reviewed by a peer, supervisor or manager to the person preparing the reconciliation at least annually, or more frequently as considered necessary by the manager based on his/her assessment of the risks/materiality of the account. The assessment of reviewer (manager, supervisor or peer) and the review frequency should be documented and approved by the manager.

In reconciling accounts, the typical focus is on reconciling the account balance as of a period in time, typically accomplished by comparing the "should be" balance per the supporting documentation to the recorded G/L balance per General Ledger reports and investigating and resolving any differences.

An account cannot be effectively reconciled if only the transaction activity is reviewed, as missing transactions or other problems may not be identified. The focus of all Balance Sheet account reconciliations should be on the "should be" ending balance, rather than on the General Ledger transactions. However, there are certain types of accounts (sweep accounts or clearing accounts for example) for which it is more appropriate to reconcile expected activity for the period to actual activity that occurred rather than attempting to reconcile a balance at a specific point in time. In all instances where "activity" based reconciliation is performed, the workpapers should include the manager's approval of the reconciliation methodology.

Upon completion and review of the account reconciliation, adjusting journal entries are to be recorded to properly state the G/L balance as necessary. The "Last Reconciled Date" field in the BDMS account table is to be updated to ensure that the most recent account reconciliation data is reflected in the system. Accurate and timely updating of this field is important as Accounting management relies on it for various periodic reporting requirements. The account owner should then prepare any analysis as requested by Accounting Management and internal or external auditors.

Individual department managers are responsible for ensuring that accounts owned by their department are reconciled in accordance with this Cinergy Corporate policy. The manager's responsibilities include:

1. Developing a specific account reconciliation policy for the department, which includes:
 - a. How frequently individual accounts must be reconciled (e.g., monthly or quarterly),
 - b. Any approved exceptions to the monthly or quarterly reconciliation requirement,

Reconciliation & Analysis of Accounts

- c. The level and type of supporting documentation required to be maintained as backup to the reconciliation,
 - d. How frequently account reconciliations must be reviewed (e.g., monthly, quarterly or annually),
 - e. Process for designating who must review account reconciliations (Peer, Supervisor or Manager), and
 - f. Process for investigating and resolving unreconciled amounts.
2. Communicating department policy to employees
 3. Providing training on preparation and review of account reconciliations to employees
 4. Monitoring of account reconciliation process on a monthly basis to ensure that:
 - a. Accounts are appropriately reconciled in the timeframe designated for that account,
 - b. Account reconciliation reviews are occurring in accordance with the department policy (Item 1 above),
 - c. Investigation and resolution of unreconciled amounts are being appropriately handled, and
 - d. Designations of account reconciliation preparers and reviewers are appropriate, especially when changes occur (i.e., new personnel, new accounts, etc.).

Preparers of account reconciliations are responsible for the following:

1. Understanding the purpose of the account, the types of transactions in the account and the dollar values of those transactions
2. Understanding department policies on account reconciliations, including:
 - a. How frequently individual accounts must be reconciled,
 - b. Level and type of supporting documentation required to be maintained as backup to the reconciliation,
 - c. How frequently account reconciliations must be reviewed,
 - d. Process for designating who must review account reconciliations and
 - e. Process for investigating and resolving unreconciled amounts.
3. Participating in training on preparation and review of account reconciliations
4. Reconciling accounts in accordance with this Company Policy in the timeframe designated
5. Updating tracking system when an account has been reconciled
6. Notifying reviewer that account reconciliation has been prepared
7. Providing account reconciliation and backup documentation to reviewer
8. Documenting and resolving unreconciled amounts
9. Notifying reviewer or department manager of significant issues associated with the account reconciliation

Frequently Asked Questions

Q1. What is the difference between reconciling a Balance Sheet account and analyzing a Balance Sheet account?

A. The purpose of account reconciliation is to verify that the ending account balance is accurate. Through this process missing, misposted, and erroneous transactions are identified and correcting entries are initiated. Generally, the purpose of an account analysis is to determine why the account balance has changed from some prior time period or to explain the nature of the transactions comprising the balance.

Q2. What are the responsibilities of a department owner and an account owner?

A. Each department owner is responsible for ensuring that an effective account reconciliation process is in place for each Balance Sheet account owned by his/her department. The account owner's responsibilities include ensuring the accuracy of the ending account balance and initiating, in a timely manner, any correcting entries needed due to missing, erroneous or misposted transactions. The account owner is also responsible for ensuring that the account reconciliation data in the Account Reconciliation Database is accurate and updated promptly. See Process Description/Narrative section above.

Q3. How can I obtain information regarding the account reconciliation status of my Balance Sheet accounts?

A. The "Account Reconciliation Database" was designed so that all account owners can obtain information at any time regarding the status of their account reconciliations. User's Guides associated with the Account Reconciliation Database have been developed and can be accessed under the "Training and Documents" section of this procedure. In addition, Accounting has developed an ad hoc report that evaluates the reconciliation status of each account. A User's Guide for generating this report has been developed and can be accessed under the "Training and Documents" section of this procedure.

Q4. What documentation should be included in the Account Reconciliation workpapers?

A. Account reconciliation workpapers will vary from account to account. At a minimum, each account's workpapers should include the following:

Reconciliation & Analysis of Accounts

Account Background

- a. Business purpose of account
- b. Nature of charges to the account
- c. Amortization period, if applicable
- d. Related accounts
- e. Key contact person/department

Reconciliation Data

- a. Date reconciliation and manager/supervisor/peer review performed
- b. Individual performing reconciliation and the manager/supervisor/peer approving the reconciliation
- c. Support for "should be" ending account balance, including documentation supporting how the account balance was reconciled
- d. Reconciling items identified
- e. Date, method, individual resolving reconciling items
- f. Reconciliation reviewer and review frequency assessment
- g. Manager approval of "activity" based reconciliation, as applicable

The following Key Account Documents, as applicable to the account being reconciled, should be retained with the account reconciliation workpapers as independent evidence supporting the account balance. This list is not all-inclusive:

- a. Agreements (merger, partnership, joint owners, purchase, license, loan, lease, noncompetition)
- b. Contracts (coal, fuel oil, employment, customer, construction)
- c. Rate orders
- d. Bank statements
- e. Registration statements
- f. Filings
- g. Company policy or accounting research documents
- h. Order or production backlog documents
- i. Trademarks and tradename documents
- j. Use rights, such as drilling or minerals, documents
- k. Initial journal entry of purchase of acquired entity, including goodwill amount
- l. Financial statements of acquired entities before purchase and at acquisition date
- m. Statements (broker, investment account, trustee account)
- n. Actuarial Reports
- o. Billings and Invoices

- p. Request for Payments
- q. Check Registers
- r. Vouchers
- s. Insurance Policies
- t. Verified Insurance Deduction Forms
- u. Benefit Plan Documents
- v. Applicable IRS Rules
- w. Articles of Incorporation
- x. Subscription for Shares
- y. Minutes
- z. Authorizations (Board of Director, Investment Committee)
- aa. GAAP

The workpapers should also include any other documentation deemed necessary to support the appropriateness of the ending account balance.

Q5. Is there a standard Account Reconciliation Worksheet that I can use to reconcile my Balance Sheet accounts?

A. While a "formal" account reconciliation worksheet should be developed and utilized, the worksheet will vary from account to account. Attached to this procedure is an example of a worksheet. The worksheet should clearly document how the "should be" account balance was determined, rather than repeat General Ledger information. To the extent the General Ledger balance differs from the "should be" balance, the worksheet should clearly identify the nature/source of each reconciling item. The worksheet should provide an "audit trail" to source documents, where appropriate.

Q6. How should the business purpose of the account, nature of charges to the account, key contact individuals, key documents and related accounts be documented?

A. These items should be included in either the account reconciliation worksheet or on a separate workpaper filed with the account reconciliation worksheet. (Please see the attachment to this procedure for an example of these items on the account reconciliation worksheet.) The descriptions of the business purpose of the account and of the nature of charges to the account should be detailed enough to provide an effective transfer of knowledge relating to the account.

Q7. How do I obtain the current month account balance?

A. In Hyperion, you can run an ad hoc query, a G/L Report or a G/L Account Balance query to obtain the current balances. The closing calendars distributed

each month by e-mail from General Accounting will tell you when the final entries have been posted for the month.

Q8. What if my records don't agree with the ending balance from Hyperion? How do I determine what the differences are?

A. You could run an ad hoc query, a G/L Report or a G/L Account Balance query to obtain the detailed transaction information.

Q9. How should reconciling items be handled?

A. Reconciling items should be identified, researched and resolved in a timely manner. The nature and resolution of these items should be documented on the account reconciliation worksheet. Each department should establish a formal policy relating to the timely resolution of reconciling items. These departmental policies should include such considerations as materiality thresholds for investigating reconciling items, appropriate reviews and approvals of reconciling items, appropriate timelines for investigating and resolving reconciling items, etc. The end result is that a reconciling item should either be confirmed as an appropriate transaction for this account or a correction should be made to move it to the appropriate account.

Q10. I've found a transaction that I think was booked to my account in error. How do I determine what this transaction is for and how to fix it?

A. The detailed transaction information from Hyperion can tell you where the transaction came from. For example, if the transaction was a payroll charge, you could call the Payroll department for more information. If the transaction was a journal entry, you could obtain a copy of the entry from the Journal Entry Tool using the Browse feature. Asking questions of the person who submitted these entries will help you determine if the charge is really an error.

Q11. If an account owner relies upon the reconciliation activities of others, such as a foreign subsidiary, how should the account owner handle the account reconciliations?

A. Normally, this situation arises in those instances where the account owner is not reconciling the ending balance but instead is confirming that Cinergy system amounts tie to financial statement information provided by a subsidiary. The subsidiary is responsible for reconciling the subsidiary General Ledger accounts. The account owner should monitor/review the reconciliation activities of the other office for appropriateness. The account owner/department is still responsible for ensuring the accuracy and appropriateness of transactions even if recorded in detail by others. The reconciliation workpapers for the account

should include the reconciliation worksheets from the other office to support the appropriateness of the ending account balance.

Q12. Are there additional tasks that should be performed as part of the reconciliation process? If so, what are they?

A. Yes. The following tasks should be performed as part of the reconciliation process:

- Review accounts on a monthly basis for inappropriate charges, including researching "asset" accounts that inappropriately reflect a "credit" balance and "liability" or "equity" accounts that inappropriately reflect a "debit" balance.
- Review accounts on a monthly basis for inappropriate or unexpected balance changes.
- Review accounts on a periodic basis (no less frequently than quarterly) to ensure appropriate Balance Sheet classification.
- Update the Account Reconciliation Database for changes in personnel under the Individual Account Owner field. Additionally, the "last reconciled date" reflected in the database associated with each account should be reviewed monthly for accuracy.
- Review accounts on a periodic basis (no less frequently than annually) to ensure that all accounts with a zero balance that no longer have a business purpose are stopped and closed (see Stopping & Closing Balance Sheet Accounts policy).
- Review reconciliation and review frequencies assigned to each account on a periodic basis for appropriateness.
- Review risks assigned to each account on a periodic basis for appropriateness.

Q13. Who can I contact if I have questions such as how to reconcile an account or why an account was assigned to my department?

A. General Accounting (contacts listed below) can assist you.

Procedure

Develop Policies for Reconciliation of Accounts

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Department Manager	1. Develop and communicate the following to department staff

Reconciliation & Analysis of Accounts

		responsible for account reconciliations for each account within the Department's responsibility: <ul style="list-style-type: none"> • Department guidelines associated with minimum reconciliation documentation standards; • Department guidelines associated with resolving reconciling items; • Department guidelines associated with account reconciliation activities (e.g., "ending balance" versus "activity"); and • Department guidelines associated with accounts where reconciliation activities of other departments (e.g., foreign subsidiaries, joint ventures, etc.) are relied upon. • Department guidelines associated with review of account reconciliations
Any Department	Reconciliation Preparer	2. Perform account reconciliations in accordance with applicable department reconciliation guidelines and Corporate Policy.
Any Department	Reconciliation Reviewer	3. Perform account reconciliation review in accordance with applicable department reconciliation guidelines and Corporate Policy.
Any Department	Department Manager	4. Monitor department reconciliation activities.

Reconciliation of Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
		<i>Note: The following process is performed periodically in accordance with this Company policy and as determined by the applicable accounting manager, to reconcile all individual asset, liability and equity accounts.</i>
Any Department	Reconciliation Preparer	1. Run General Ledger reports for all applicable accounts and obtain current balance for the account to be reconciled.
Any Department	Reconciliation Preparer	2. Close sub-ledger, if applicable.
Any Department	Reconciliation Preparer	3. Obtain supporting "should be" balance documentation.

Reconciliation & Analysis of Accounts

Any Department	Reconciliation Preparer	4. Verify "should be" balance data against data in systems and other supporting documentation.
Any Department	Reconciliation Preparer	5. Verify the General Ledger balance to the "should be" balance supporting documentation.
Any Department	Reconciliation Preparer	6. Investigate balance differences and misposted transactions, as necessary.
Any Department	Reconciliation Preparer	7. Create correcting adjustments, as necessary.
Any Department	Reconciliation Preparer	8. Update Account Reconciliation workpapers.
Any Department	Manager	9. Review and approve correcting adjustments, as required.
Any Department	Manager, Supervisor and/or Peer	10. Review and approve account reconciliation.

Update Account Reconciliation Database (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Reconciliation Preparer	1. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was reconciled.

Perform Analysis of Transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Department Employee	1. Perform analysis of transactions and variance analysis on General Ledger account balances, as necessary, to ensure accuracy.
Any Department	Department Employee	2. Investigate balance variances and create correcting entries as necessary.
Any Department	Manager	3. Review and approve correcting entries as required.

Perform Analysis of Financial Statement: Business Unit Review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Department Employee	1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit, with the exception of minimum analysis required to support Legal Entity

		analysis. The extent of Legal Entity analysis will be determined on a case-by-case basis, as required.
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Perform Analysis of Financial Statements: Legal Entity Review (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Department Employee	1. Perform analysis of transactions and variance analysis on General Ledger account balances, as necessary, to ensure accuracy of Legal Entity results.
Any Department	Department Employee	2. Provide Corporate Accounting information, as required for their variance analysis.

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

- Basic Data Literacy
- Advanced Data Literacy
- Financial Analysis, Part 2
- Hyperion training documents (available online on the Finance and Accounting community page)

Documents:

- Examples of Account Reconciliation Worksheets

Example 1 - Account Analysis Reconciliation Worksheet

Example 2 - Balance Sheet Reconciliation Statement

Balance Sheet Acct
Rec Template.xls

- Process to Update Account Reconciliation Database (short version)
- User's Guide Account Reconciliation Database
- User's Guide to Generating Reports from Accounting Data Set-up for the Account Reconciliation Database

Who Should Know

- Controller
- Assistant Controllers
- Accounts Payable
- Accounting Research
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Cinergy Ventures
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting & Cost Accounting
- Misc. Accounts Receivable
- Oak Mountain Products
- Payroll & Benefits Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax

- Transportation Services
- Treasury
- Vestar

Related Information

New Account Set-up & Definition (Account Standards) Policy

Stopping & Closing Balance Sheet Accounts Policy

Policy (list intercompany accounts reconciliation policy when available)

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 8/1/99:

- Creation of Account Reconciliation Database in PBR

The following revisions are effective 4/1/01:

- Update for additional "Frequently Asked Questions"
- Add analysis procedures

The following revisions are effective 8/1/02:

- Update for additional "Frequently Asked Questions"
- Update for revisions in procedures section

• The following revision is effective 11/1/03:

- Update for department and personnel changes

The following revisions are effective 7/1/04:

- Update for revisions to policy impacting allowable account reconciliation frequencies
- Update to incorporate process flow and process description

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revisions are effective 9/01/05:

- Update for system changes to Hyperion that occurred 4/01/05
- Updated policy to require Controller authorization of accounts reconciled less frequently than quarterly



FAS106 Postretirement Benefits

Functional Area: General Accounting
 Sarbanes-Oxley Category: Payroll/Human Resources
 Process Owner: Gwen Pate
 Effective Date: 09/01/98
 Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower
- Go to Accounting Policies and Procedures Community

Policy Statement

Cinergy will record all transactions relating to postretirement benefits other than pensions in the Company financial statements.

Reason for Policy

To record employee benefit activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Cinergy provides health care (i.e., retiree medical, dental, prescription drugs and Medicare Part B premium reimbursement) and life insurance benefits to eligible retirees. The substantive provisions of the retiree medical and dental benefit options are identical to those for active employees. Since January 1, 1997, the retiree has paid a portion of the premiums based on each year of service and

FAS106 Postretirement Benefits

Cinergy has subsidized the difference. The plan design, premium levels and Medicare Part B premium reimbursement levels vary for PSI retirees prior to January 1, 1997 as well as active PSI employees who were 50 years or older as of January 1, 1997. A grandfathered, frozen group of retirees and employees are eligible for life insurance benefits. For the remaining retirees and employees, retiree life insurance is no longer available.

Cinergy accounts for its postretirement benefits other than pensions in accordance with the provisions of SFAS 106. Under SFAS 106 the cost of an employee's postretirement benefits other than pensions is recognized on an accrual basis over that employee's estimated period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's postretirement benefit plan obligations and to determine Cinergy's net periodic postretirement benefit cost based on estimates and assumptions agreed upon by Hewitt and Cinergy Accounting Management (Controller and Asst Controllers). The estimated annual expense is provided to Cinergy via email. General Accounting then sends this email to Human Resource representatives for their review of the reasonableness of the estimate. General Accounting requests a reply email from HR indicating their concurrence with Hewitt's estimate. If HR would disagree with Hewitt's calculation, Cinergy representatives would then conduct discussions with Hewitt contacts to resolve the dispute.

The estimates are amortized using the straight line method over a 12-month period and recorded appropriately each month on journal entry PB170. The net periodic postretirement benefit cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued postretirement health care (account 228380) or accrued retiree life insurance (account 228300). See Cinergy Corp Policy Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

In addition, see Cinergy Corp Policy Health Insurance Employee Contribution Policy for information regarding retiree contributions. See Cinergy Corp Policy Health Insurance Employee/Employer Allocations Policy for information regarding retiree claims and premiums. See Cinergy Corp Policy Health Insurance Claims Incurred But Not Reported (IBNR) Policy for information regarding retiree health care claims incurred but not reported.

Procedure

FAS106 Postretirement Benefits

Capture information on business transactions (CoA.1)

Classify transactions for journalizing (CoA.2)

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Hewitt - Outside Vendor	Derek Rylicki Phil Kivarkis	1. Generate Actuarial Report and distribute to Cinergy Human Resources Department. <i>Note: distribute annually during the third quarter.</i>

Identify error(s) in source documents and pushback for correction (CoA.3)

Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting Human Resources	Senior Analyst Karen Feld	1. Review Actuarial Report for reasonableness. Verify report reflects assumptions approved by Cinergy management.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Divide net periodic postretirement benefit cost from Actuarial Report into monthly allocations. <i>Note: this process should be complete by Day 2, EOD.</i>
General Accounting	Analyst	2. Extract data from Actuarial Report Monthly Allocations worksheet and enter into a predefined journal entry in the JE Tool. This entry is developed annually. <i>Note: this process should be complete by Day 2, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is located, notify the preparer and provide a copy of source doc's & JE's. <i>Note: this process should be complete by Day 2, EOD.</i>

FAS106 Postretirement Benefits

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries for posting.
General Accounting	BDMS Coordinator/ Data Warehouse Coordinator	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

- Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*
- Hewitt Associates Actuarial Report

Who Should Know

- General Accounting
- Human Resources

Related Information

Health Insurance Employee Contribution Policy

Health Insurance Employee/Employer Allocations Policy

Health Insurance Claims Incurred But Not Reported (IBNR) Policy

Fringe Benefits Cost Pool - Annual & Periodic Studies Policy

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	General Accounting
Susan Balsley	Senior Analyst	General Accounting
Derek Rylicki	Actuary	Hewitt
Phil Kivarkis	Actuary	Hewitt
Karen Feld	General Manager	HR - CC Comp & Benefits Strategy
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD: End of Day

SFAS 106: Statement of Financial Accounting Standards No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*

Revisions

The following revision is effective 08/01/00:

- Update procedure for personnel changes

The following revision is effective 12/01/02:

- Update procedure for personnel changes

The following revision is effective 10/01/03:

- Update "Frequently Asked Questions"

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 09/01/05:

- Update policy for personnel changes



Pension Expense

Functional Area: General Accounting
Sarbanes-Oxley Category: Payroll/Human Resources
Process Owner: Gwen Pate
Effective Date: 09/01/98
Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower and go to Accounting Policies and Procedures Community
- Go to Accounting Policies and Procedures Community

Policy Statement

Cinergy will record all transactions relating to its qualified pension benefits in the Company financial statements.

Reason for Policy

To record employee benefit activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Cinergy has the following qualified pension plans:

- Cinergy Corp. Non-Union Employees Pension Plan (Non-Union Plan)
- participants are employees at least 18 years of age and not covered by a collective bargaining agreement

Pension Expense

- Cinergy Corp. Union Employees Retirement Income Plan (CG&E Union Plan) – participants are employees at least 18 years of age and covered by a collective bargaining agreement providing for participation in this plan
- Cinergy Corp. Union Employees Pension Plan (PSI Union Plan) - participants are employees at least 18 years of age and covered by a collective bargaining agreement providing for participation in this plan

Cinergy's qualified pension plans were re-structured in 2002 to provide employees with three program options:

1. Traditional Program
2. Balanced Program
3. Investor Program

The pension benefit for each option vests after five years of service.

Benefits under the traditional program are payable upon retirement, pursuant to a formula based on highest average earnings, years of plan participation, social security covered compensation, and actuarial reductions for retirement prior to age 65 (unless the participant is at least 55 with the sum of age and service equal to or exceeding 85). With a few exceptions, this program option is no longer available for newly hired employees.

The pension benefit under the balanced program consists of an interest-bearing account balance for which Cinergy provides annual pay credits under the following formula:

Years of Service	Annual Pay Credit (Percent of Pay)
Less than six	3%
Six to ten years	4%
Eleven years or more	5%

The pension benefit under the investor program consists of an interest-bearing account balance for which Cinergy provides annual pay credits in an amount equal to 2% of pay, regardless of years of service.

The account balance for both the Balanced and Investor Programs are also credited with interest based on 30-year Treasuries. Additionally, the employee can elect to receive the benefit from both the Balanced and Investor Programs in a lump sum or an annuity.

Pension Expense

The Balanced and Investor Programs also include a deferred profit sharing feature Deferred Profit Sharing Contributions Related to the Balanced and Investor Programs Policy.

Cinergy accounts for its pension benefits in accordance with the provisions of SFAS 87. Under SFAS 87 the cost of an employee's pension benefit is recognized on an accrual basis over that employee's approximate period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations and to determine Cinergy's net periodic pension cost. The net periodic pension cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued pension obligation (account 253870). See Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

Cinergy's funding policy for its qualified pension plans is to contribute at least the amount required by the Employee Retirement Income Security Act of 1974, and up to the amount deductible for income tax purposes. Historically, Cinergy's contribution to the pension plans has been in the form of cash. The pension plans assets consist of investments in equity and fixed income securities. Cinergy accounts for its funding contributions by debiting the accrued pension obligation (account 253870) and crediting cash (account 131001). Benefit payments (e.g., payments to retirees) are paid out of plan assets.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions for journalizing (CoA.2)
- Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. In response to the annual Hewitt Data Request, provide Hewitt with a rollforward of the qualified pension plan reserves, by corp, recorded on Cinergy's books (Account 253870).
Hewitt Associates - Outside Vendor	Michelle Hanson Derek Rylicki Phil Kivarkis	2. Generate Actuarial Report and distribute to Cinergy Human Resources and General Accounting Departments. <i>Note: distribute annually during the third quarter.</i>

Pension Expense

Identify error(s) in source documents and pushback for correction (CoA.3)
 Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Human Resources	Karen Feld Darlene Glesenkamp	1. Review Actuarial Report for reasonableness. Verify report reflects assumptions approved by Cinergy management.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Divide net periodic pension cost from Actuarial Report into monthly allocations. <i>Note: this process should be complete by Day 2, EOD.</i>
General Accounting	Analyst	2. Extract data from Actuarial Report Monthly Allocations worksheet and enter into a predefined journal entry in the JE Tool. This entry is developed annually and is titled PB342. <i>Note: this process should be complete by Day 2, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is located, notify the preparer and provide a copy of source doc's & JE's. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

Pension Expense

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries for posting in JET.
General Accounting	BDMS Coordinator/ Data Warehouse	2. BDMS will post all journal entries approved in JET. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

- Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions*
- Hewitt Associates Actuarial Report
- Pension Plan Documents:
 - Cinergy Corp. Non-Union Employees Pension
 - Cinergy Corp. Union Employees Retirement Income
 - Cinergy Corp. Union Employees Pension Plan

Who Should Know

- General Accounting
- Human Resources
- Treasury

Related Information

Reconciliation & Analysis of Accounts Policy

Pension Expense

Deferred Profit Sharing Contributions Related to the Balanced and Investor Programs Policy

Fringe Benefits Cost Pool - Annual & Periodic Studies Policy

Contacts

NAME	ROLE	DEPARTMENT
Susan Balsley	Senior Analyst	General Accounting
Michelle Hanson	Actuary	Hewitt Associates
Derek Rylicki	Actuary	Hewitt Associates
Phil Kivarkis	Actuary	Hewitt Associates
Gwen Pate	Manager	General Accounting
Karen Feld	General Manager	Human Resources
Rick Floyd	Manager, Trusts & Investments	Treasury
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD: End of Day

SFAS 87: Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions*

Revisions

The following revision is effective 08/01/00:

- Update procedure for personnel changes

The following revision is effective 12/01/02:

- Update procedure for personnel changes

The following revision is effective 10/01/03:

- Update "Frequently Asked Questions"

Pension Expense

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 09/01/05:

- Update policy for personnel changes



Non-Qualified Pension Benefits

Functional Area: General Accounting
Sarbanes-Oxley Category: Payroll/Human Resources
Process Owner: Gwen Pate
Effective Date: 10/01/03
Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower and go to Accounting Policies and Procedures Community
- Go to Accounting Policy and Procedures Community

Policy Statement

Cinergy will record all transactions relating to its non-qualified pension benefits in the Company financial statements.

Reason for Policy

To record employee benefit activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Cinergy has the following non-qualified (plans that do not meet the criteria for tax benefits) pension plans:

- Cinergy Corp. Excess Pension Plan
- Cinergy Corp. Supplemental Executive Retirement Benefits

Non-Qualified Pension Benefits

- Cinergy Corp. Executive Life Plan
- Cinergy Corp. Unfunded Supplemental Retirement Plan
- Cinergy Corp. CG&E Frozen SERP
- Cinergy Corp. Retirement Plan for Directors

Cinergy Corp. Excess Pension Plan

All employees whose benefits under the Cinergy Corp. Non-Union Employees Pension Plan are limited by the benefit limits of Internal Revenue Code (IRC) Section 415 or whose earnings exceed the compensation limit of IRC Section 401(a) (17) are eligible to participate in this plan. Benefits provided under this plan are the excess of (a) benefits calculated under the provision of the Cinergy Corp. Non-Union Employees Pension Plan without regard to the limits of IRC Sections 415 and 401(a) (17) less (b) benefits payable from the Cinergy Corp. Non-Union Employees Pension Plan.

Cinergy accounts for the Cinergy Corp. Excess Pension Plan in accordance with the provisions of SFAS 87. Under SFAS 87 the cost of an employee's pension benefit is recognized on an accrual basis over that employee's approximate period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued pension obligation (account 253270). The expense is recorded monthly on journal entry PB360. See Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool and Pension Expense Policy for additional information regarding the Cinergy Corp. Non-Union Employees Pension Plan.

Cinergy Corp. Supplemental Executive Retirement Benefits

Certain officers of Cinergy are eligible to participate in this plan. The plan provides certain mid-career and senior executive supplemental benefits.

Cinergy accounts for the Cinergy Corp. Supplemental Executive Retirement Benefits plan in accordance with the provisions of SFAS 87. Under SFAS 87 the cost of an employee's pension benefit is recognized on an accrual basis over that employee's approximate period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued pension obligation (account 228460). The expense is recorded monthly on journal entry PB361. See Fringe Benefits Cost

Non-Qualified Pension Benefits

Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

Cinergy Corp. Executive Life Plan

Certain named individuals designated as general managers or above are eligible to participate in this plan. The plan provides for payment (depending on employment level) of benefits in ten annual installments upon retirement. Certain grandfathered employees are eligible for either payment of benefits or life insurance coverage instead of annual payments.

Cinergy accounts for the Cinergy Corp. Executive Life Plan in accordance with the provisions of SFAS 87. Under SFAS 87 the cost of an employee's pension benefit is recognized on an accrual basis over that employee's approximate period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued pension obligation (account 228310). The expense is recorded monthly on journal entry PB362. See Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

Cinergy Corp. Unfunded Supplemental Retirement Plan

Certain named individuals are eligible to participate in this plan. The plan provides for certain supplemental benefits payable prior to age 62.

Cinergy accounts for the Cinergy Corp. Unfunded Supplemental Retirement Plan in accordance with the provisions of SFAS 87. Under SFAS 87 the cost of an employee's pension benefit is recognized on an accrual basis over that employee's approximate period of service. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued pension obligation (account 232420). The expense is recorded monthly on journal entry PB363. See Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

Cinergy Corp. CG&E Frozen SERP

Certain named individuals are eligible to participate in this plan. The plan provides for certain supplemental benefits payable for 15 years after retirement at age 60.

Non-Qualified Pension Benefits

Cinergy accounts for the Cinergy Corp. CG&E Frozen SERP in accordance with the provisions of SFAS 87. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's pension plan obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is charged to expense (account 426590) and credited to accrued pension obligation (account 253290).

To fund the CG&E Frozen SERP pension benefit obligation, Cinergy has purchased an insurance policy through Ohio National Life Insurance Company. Premium and interest payments made are recorded as prepaid insurance (accounts 165120 and 165500) with an offset to increase the value of the policy (account 186020). Monthly amortization is recorded to relieve the prepayment accounts and record premium and interest expense (accounts 426200 and 431090).

All SERP activity is recorded monthly on journal entry PB243.

Cinergy Corp. Retirement Plan for Directors

All non-employee directors who had served as directors for six years were eligible to participate in this plan. Effective January 1, 1999, no future accruals were granted under this plan. Also, effective January 1, 1999, current directors were offered the election of shares of Cinergy stock in lieu of their accrued benefit under this plan.

Cinergy accounts for the Cinergy Corp. Retirement Plan for Director in accordance with the provisions of SFAS 87. Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's obligations under this plan and to determine Cinergy's net periodic pension cost. The net periodic pension cost is charged to expense (account 930xxx) and credited to accrued pension obligation (account 228490). The expense is recorded monthly on journal entry PB156.

Cinergy began funding certain of these non-qualified pension plans through a rabbi trust (account 124500) in 1999. This trust, which consists of equity and fixed income securities, is not restricted to the payment of plan benefits and therefore is not considered a plan asset under SFAS 87.

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)
 Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Hewitt Associates - Outside Vendor	Michelle Hanson Derek Rylicki Phil Kivarkis	1. Generate Actuarial Report for each non-qualified pension plan and distribute to Cinergy Human Resources Department and General Accounting. <i>Note: distribute annually during the third quarter.</i>

Identify error(s) in source documents and pushback for correction (CoA.3)
 Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Human Resources	Karen Feld/Darlene Glesenkamp	1. Review Actuarial Reports for reasonableness. Verify report reflects assumptions approved by Cinergy management.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Divide net periodic pension cost from Actuarial Reports into monthly allocations. <i>Note: this process should be complete by Day 2, EOD.</i>
General Accounting	Analyst	2. Extract data from Actuarial Report Monthly Allocations worksheet and enter into predefined journal entries (PB156, PB243, PB360, PB361, PB362, and PB363) in the JE Tool. These entries are developed annually. <i>Note: this process should be complete by Day 2, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entries against the source document to ensure data entry accuracy. If an error is located, notify the preparer and provide a copy of source doc's & JE's.

Non-Qualified Pension Benefits

		<i>Note: this process should be complete by Day 2, EOD.</i>
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Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries for posting.
General Accounting/Data Warehouse	BDMS Coordinator/Data Warehouse Coordinator	2. BDMS will post all journal entries approved in JET for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Documents:

- Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions
- Hewitt Associates Actuarial Report
- Pension Plan Documents

Who Should Know

- General Accounting

Non-Qualified Pension Benefits

- Human Resources
- Treasury

Related Information

Pension Expense Policy

Fringe Benefits Cost Pool - Annual & Periodic Studies Policy

Contacts

NAME	ROLE	DEPARTMENT
Susan Balsley	Senior Analyst	General Accounting
Michelle Hanson	Actuary	Hewitt Associates
Derek Rylicki	Actuary	Hewitt Associates
Phil Kivarkis	Actuary	Hewitt Associates
Gwen Pate	Manager	General Accounting
Karen Feld	General Manager	Human Resources
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD: End of Day

SFAS 87: Statement of Financial Accounting Standards No. 87, *Employers' Accounting for Pensions*

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 09/01/05:

- Update policy for personnel changes



FAS 112 Postemployment Benefits

Functional Area: General Accounting
Sarbanes-Oxley Category: Payroll/Human Resources
Process Owner: Gwen Pate
Effective Date: 07/01/03
Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower
- Go to Accounting Policies & Procedures Community

Policy Statement

Cinergy will record all transactions relating to employee benefits offered under FAS112 Postemployment Benefits, including medical benefits and workers' compensation reserves in the Company financial statements.

Reason for Policy

To record transactions associated with employee benefits offered under FAS112 Postemployment Benefits, including medical benefits and workers' compensation reserves in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

FAS112 "Employers' Accounting for Postemployment Benefits" establishes accounting standards for employers who provide benefits to former or inactive employees after

employment but before retirement. Postemployment benefits are all types of benefits provided to former or inactive employees, their beneficiaries, and covered dependents. Those benefits include, but are not limited to, salary continuation, supplemental unemployment benefits, severance benefits, disability-related benefits (including workers' compensation), job training and counseling, and continuation of benefits such as health care benefits and life insurance coverage.

Post-employment benefits that meet the conditions of paragraph 6 of FAS 43 are accounted for in accordance with FAS 43. Paragraph 6 of FAS 43 states:

"An employer shall accrue a liability for employees' compensation for future absences if *all* of the following conditions are met:

- a. The employer's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered,
- b. The obligation relates to rights that vest or accumulate,
- c. Payment of the compensation is probable, and
- d. The amount can be reasonably estimated."

Postemployment benefits that are within the scope of FAS 112 that do not meet the requirements of FAS 43 are accounted for in accordance with FAS 5. Paragraph 5 of FAS 5 states:

"An estimated loss from a loss contingency ... shall be accrued by a charge to income if *both* of the following conditions are met:

- a. Information available prior to the issuance of the financial statements indicates that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements. It is implicit in this condition that it must be probable that one or more future events will occur confirming the fact of the loss.
- b. The amount of loss can be reasonably estimated."

Cinergy utilizes Hewitt Associates, a benefits consulting and actuarial firm, to value Cinergy's Postemployment benefit plan obligations and to determine Cinergy's net periodic Postemployment benefit cost based on estimates and assumptions agreed upon by Hewitt and Cinergy Accounting Management (Controller and Asst Controllers). Hewitt retains Regnier Consulting who performs the actuarial calculations for workers' compensation benefits.

The estimated annual expense for disableds and dependents of deceased actives is provided to Cinergy via email. General Accounting then sends this email to Human

Workers' Compensation Reserve

Resource representatives for their review of the reasonableness of the estimate. General Accounting requests a reply email from HR indicating their concurrence with Hewitt's estimate. If HR would disagree with Hewitt's calculation, Cinergy representatives would then conduct discussions with Hewitt contacts to resolve the dispute.

The estimates are amortized using the straight line method over a 12-month period and recorded appropriately each month on journal entry PB170. The net periodic Postemployment benefit cost is debited to the fringe benefits cost pool (account 184100) and credited to accrued Postemployment benefit liability (account 228390). See Cinergy Corp Policy 7.9.10.4 Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for additional information regarding the fringe benefits cost pool.

Since Cinergy's workers' compensation benefits do not vest and accumulate, the provisions of FAS 43 are not met. Accordingly, Cinergy accounts for its workers' compensation liabilities in accordance with FAS 5. Workers' compensation benefit payments (including supplemental benefits) are directly expensed in the current year income statement. On an annual basis, Hewitt estimates Cinergy's workers' compensation liabilities/reserves as of September 30. Upon receipt of the actuarial report from Hewitt, General Accounting records an entry to "true-up" Cinergy's workers' compensation liability/reserve accounts. This entry occurs annually at 12/31. Therefore, the reserve is consistently maintained on Cinergy's financial records at an appropriate level.

Hewitt also provides Cinergy with an annual actuarial calculation of benefit obligations under the U.S. Longshore & Harbor Workers' Compensation Act. This act covers employment accidents which occur on a body of water. The reserve is adjusted to Hewitt's calculation annually at 12/31 and is booked to account 228250 I&D Reserve - Workers' Compensation Death Benefit.

Procedure

Annual Process

- Capture information on business transactions (CoA.1)
- Classify transactions (CoA.2)
- Identify error(s) in Source Documents and pushback for correction (CoA.3)
- Correct error in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Hewitt - Outside Consultant	Phil Kivarkis	1. On an annual basis, provide Cinergy a list of all information

Workers' Compensation Reserve

		needed in order to prepare FAS112 Postemployment Benefit Obligations & Workers' Compensation Actuarial Reports.
Acordia & Hunter - Outside Vendors	Claims Administrators/ TPAs	2. On an annual basis, provide to Cinergy General Accounting department (or to Hewitt directly) all applicable information requested by the Actuary, including the Triangle Loss Report as of 9/30. This information is then forwarded to Hewitt Associates as part of the annual data request.
Human Resources	Michele Pickens Bill Schick	3. On an annual basis, provide General Accounting with all applicable information requested by the Actuary, including workers' compensation & Longshoremen's death benefit payments not included in TPA information (e.g., supplemental benefits payments and loss of use payments, if any).
Regnier Consulting/Hewitt - Outside Consulting	Actuary	4. Prepare Workers' Compensation Actuarial Reports and provide to Human Resources and Accounting. The following Actuarial Reports associated with Workers' Compensation should be provided: <ul style="list-style-type: none"> • Workers' Compensation - U.S. Longshore & Harbor Workers' Compensation Act • Workers' Compensation - W. H. Zimmer (Henry J. Kaiser Company) • Workers' Compensation - All other
General Accounting	Manager and Senior Analyst	5. Review Actuarial Reports for reasonableness and accuracy.

Prepare manual journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. On a monthly basis, prepare journal entries, as applicable, to record estimated increase in liability/reserve amounts. <i>The entries are recorded on PB170.</i>
General Accounting	Senior Analyst	2. On an annual basis, prepare journal

Workers' Compensation Reserve

		entries to record appropriate reserve balances per Actuarial Reports. <i>Note: this process should be complete by Day 2, EOD.</i>
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Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is identified, notify the preparer and provide a copy of source documents and JEs.

Correct error in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Correct data entry in JE Tool.

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries for posting.
General Accounting	Coordinator Data Warehouse	2. BDMS will post all journal entries approved for posting.

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves related to this process have been included in the above procedures.

Training and Documents

Training:

Additional Documents:

Workers' Compensation Reserve

- FAS 112, *Employers' Accounting for Postemployment Benefits*
- FAS 5, *Accounting for Contingencies*
- FAS 43, *Accounting for Compensated Absences*
- Longshore & Harbor Workers' Compensation Act
- Workers' Compensation Handbook: A Comprehensive Guide to Workers' Compensation in Indiana
- Kentucky Workers' Compensation Law - Annotated 2002
- Ohio Industrial Commission and Bureau of Workers' Compensation: 2000 Rules
- Ohio Industrial Commission and Bureau of Workers' Compensation: 2000 Laws
- Actuarial Reports

Who Should Know

- Corporate Accounting
- Accounting Research
- Human Resources

Related Information

Employee Benefits - Workers' Compensation Benefits & U.S. Longshore & Harbor Workers' Compensation Benefits Policy

Employee Benefits - Workers' Compensation Supplemental Benefits Policy

Contacts

Name	Role	Dept
Gwen Pate	Manager	General Accounting
Susan Balsley	Senior Analyst	General Accounting
Michele Pickens	Human Resources	Human Resources
Bill Schick	Human Resources	Human Resources
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

FAS 112 - Statement of Financial Accounting Standards No. 112, *Employers' Accounting for Postemployment Benefits*

FAS 43 - Statement of Financial Accounting Standards No. 43, *Accounting for Compensated Absences*

FAS 5 - Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*

TPA - Third Party Administrator

FASB - Financial Accounting Standards Board

SEC - U.S. Securities and Exchange Commission

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revisions are effective 09/01/05:

- Update policy to cover all aspects of FAS112 accounting, including Workers' Compensation
- Update policy for personnel changes



Deferred Profit Sharing Contributions Related to the Balanced & Investor Programs

Functional Area: General Accounting
Sarbanes-Oxley Category: Payroll/Human Resources
Process Owner: Gwen Pate
Effective Date: 10/01/03
Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower
- Go to Accounting Policies and Procedures Community

Policy Statement

Cinergy will record all transactions relating to the deferred profit sharing contributions associated with the Balanced and Investor retirement programs.

Reason for Policy

To record employee benefit activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Employees participating in Cinergy's Balanced and Investor retirement programs are eligible to receive deferred profit sharing contributions to their

401(k) account in the form of Cinergy stock. See Pension Expense Policy for a discussion of Cinergy's retirement programs. The deferred profit sharing contribution is accounted for under FAS87 qualified pension expense guidelines. Employees vest in the deferred profit sharing contribution after three years of service with Cinergy.

Hewitt Associates will provide Cinergy with a full year of estimated profit sharing expense broken down by Balanced and Investor plan and by corp code in January of each year. Hewitt has the ability to access employee elections directly from Cinergy's I-People website and uses actual employee data as of January 1. Hewitt also incorporates various assumptions to calculate the estimated expense, including percentage increase in salary, expected estimate of new hire payroll (split 50-50 between Balanced and Investor plans), and an expected percent payout based on achievement levels.

The estimated annual expense is provided to Cinergy via email. General Accounting then sends this email to Human Resource representatives for their review of the reasonableness of the estimate. General Accounting requests a reply email from HR indicating their concurrence with Hewitt's estimate. If HR would disagree with Hewitt's calculation, Cinergy representatives would then conduct discussions with Hewitt contacts to resolve the dispute.

The estimates are amortized using the straight line method over a 12-month period and recorded appropriately each month on journal entry PB211. Cinergy debits the applicable fringe benefits cost pool (account 184100) and credits either the Profit Sharing Balanced Program Payable (account 232002) or Profit Sharing Investor Program Payable (account 232003) for Cinergy's estimated contributions each month. Based upon actual performance, amounts are trued up in the first quarter of the following year and contributed to applicable employee 401(k) accounts in the form of Cinergy stock. Fidelity administers Cinergy's 401(k) accounts.

In March of the following year, Cinergy will fund the account balances of participants based on the achievement level as decided on by the Board of Directors.

Under the Balanced Program, depending on Cinergy's performance, up to 5% of pension-eligible pay may be contributed by Cinergy to eligible employees' 401(k) accounts. At target performance, the contribution is 2%. The measure used to determine the contributions is Cinergy net income consistent with bonus payouts based on appropriate achievement levels.

Under the Investor program, depending on Cinergy's performance, up to 15% of pension-eligible pay may be contributed by Cinergy to eligible employees' 401(k)

Deferred Profit Sharing Contributions Related to the Balanced & Investor Programs

accounts. At target performance, the contribution is 5%. The measure used to determine the contributions is Cinergy net income consistent with bonus payouts based on appropriate achievement levels.

The annual contributions will be charged to the liability accounts. At that time, a true up journal entry will be recorded by General Accounting for activity in the prior year to match expense with the actual contribution payable to employees.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions for journalizing (CoA.2)
- Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Human Resources	Karen Feld	1. Provide Hewitt estimated profit sharing achievement levels.
Hewitt - Outside Vendor	Derek Rylicki Phil Kivarkis	2. Generate estimate of deferred profit sharing associated with the Balanced and Investor retirement programs. Distribute estimate to Cinergy Human Resources Department. <i>Note: distribute annually during December of the prior year.</i>
Hewitt - Outside Vendor	Derek Rylicki Phil Kivarkis	3. After yearend, calculate final deferred profit sharing amount by company based on headcount data as of December 31 st .

- Identify error(s) in source documents and pushback for correction (CoA.3)
- Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Send deferred profit sharing estimates to Karen Feld & Darlene Glesenkamp (HR) to verify reasonableness.
General Accounting	Senior Analyst	2. Divide deferred profit sharing estimates into monthly allocations.
General Accounting	Senior Analyst	3. Receive final profit sharing amount, allocated by Corp. by Hewitt, in March of the following year.
General Accounting	Senior Analyst	4. Based on final profit sharing

Deferred Profit Sharing Contributions Related to the Balanced & Investor Programs

		calculation provided by Hewitt, determine what adjustments need to be made to the current account balances.
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Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Extract data from Monthly Allocation worksheet and enter into a predefined journal entry (PB 211) in the JE Tool. This entry is developed annually. <i>Note: this process should be complete by Day 2, EOD.</i>
General Accounting	Senior Analyst	2. Extract data from final profit sharing calculation provided by Hewitt and enter into a predefined journal entry (PB 211) in the JE Tool. The entry will likely be made in March of the following year.

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is located, notify the preparer and provide a copy of source documents & JE's. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries for posting.
General Accounting	BDMS Coordinator/Data	2. BDMS will post all journal entries

Deferred Profit Sharing Contributions Related to the Balanced & Investor Programs

	Warehouse Coordinator	approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>
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Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves are included in the above processes.

Training and Documents

Training:

Documents:

Who Should Know

- General Accounting
- Human Resources

Related Information

Pension Expense Policy

Fringe Benefits Cost Pool - Annual & Periodic Studies Policy

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	General Accounting
Susan Balsley	Senior Analyst	General Accounting
Karen Feld	General Manager	Human Resources
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP – Generally Accepted Accounting Principles

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 09/01/05:

- Update policy for personnel changes



New Corporation Set-up Misc. Accounts Receivable

Functional Area: General Accounting
Sarbanes-Oxley Category: High Level Controls
Process Owner: Gwen Pate
Effective Date: 09/01/98
Revised Date: 11/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

A new corporation is established in the Miscellaneous Accounts Receivable (MAR) Billing System when requests have been approved for MAR to be responsible for issuing invoices.

The Manager of Corporate Accounting must authorize all requests.

Reason for Policy

To provide guidance in the creation and set-up of new Cinergy corporations thus ensuring a thorough and successful foundation for the corporation to start from

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. How do I establish a new Corporation for billing?

A. Contact Lead Analyst, Miscellaneous Accounts Receivable, Sean Kegley 513-287-3047.

Q2. What information is required?

A. The following information is required:

1. Legal name of the new corporation and corp. number assigned in BDMS.
2. Federal Identification Number issued by the I.R.S must be indicated on all invoices to customers.
3. An address for the Invoice Letterhead must be provided.
4. Phone number for customers to use must be included in the letterhead.
5. The Bank account that will be used to record payments.

Q3. Who should be contacted regarding the Federal Identification Number?

A. The Tax Department must be contacted to obtain a Federal Identification Number.

Q4. Who should be contacted regarding the deposit of payments from customers?

A. Kim Sipes, Manager, Cash Management, Treasury must be contacted.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Misc. Accounts Receivable	Sean Kegley	1. Verifies that the following information has been received: a. Name of New Corporation 1) Mailing Address 2) Phone Number b. BDMS CORP Code

New Corporation Set-up - Misc. Accounts Receivable

		c. Federal Identification Number d. Method of Processing Payment 1) Cashiers Payment Processing e. Bank Account to be used by Treasury in receiving payments
Misc. Accounts Receivable	Sean Kegley	2. Verify that the new corp. has been established in BDMS.
Misc. Accounts Receivable	Sean Kegley	3. Selects the appropriate Current Asset Account in conjunction with the General Ledger Section for recording the receivable activity.
Misc. Accounts Receivable	Gwen Pate	4. Authorizes new CORP for inclusion in PeopleSoft AR
Misc. Accounts Receivable IT	Sean Kegley Jeff Ferguson	5. Makes the Following configuration changes to PeopleSoft AR: <ul style="list-style-type: none"> • Business Unit - create new GL, BI, and AR business units • External Bank Account - create for new corporation • Chartfields - create new • RespCorp/Oper units and LOB in PS Chartfield • Bill Types - create any new Bill Types needed for new Corp • Crystal Invoices - revise templates to include new Corp logo • GL Interface - review to include new Corp/LOB combination
IT	Tom Susman Debbie Funk Tiffany Moore	6. Request that the Payment Processing Program (ReCaps) be changed to include the new invoice range and that the R35016, R65016, R35288, R65288, and 100-1 reports are updated to include new Corp and Receivable accounts
Misc. Accounts Receivable	Sean Kegley	7. Programs are tested for the new CORP.
Misc. Accounts Receivable	Sean Kegley	8. New CORP is added to the monthly Cashiers monthly recap.

Training and Documents

Training:

Additional Documents:

- "How to Add a BU" located in AR Staff Training

Who Should Know

- Corporate Accounting
- External Reporting
- Tax
- Fixed Asset Accounting
- Payroll
- Accounts Payable
- Misc. Accounts Receivable
- Payment Processing
- CFO

Related Information

New Corporation Set up Policy

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Sean Kegley	Lead Analyst	Misc. Accounts Receivable
Tom Susman	Programmer	IT
Debbie Funk	Programmer	IT
Jeff Ferguson	Programmer/Support	IT
Tiffany Moore	Supervisor	Financial Analysis Control
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

PeopleSoft AR - Miscellaneous Accounts Receivable billing system

R35016 and R65016 - Daily Accounts Receivable Transaction Reports

R35288 and R65288 - Daily and Monthly Distribution for Cash Processing Locations

100-1 - Cash Receipts for Calendar Month (ED261 journal entry) out of CMS

Revisions

The following revisions are effective 09/01/00:

- Update procedure for personnel changes
- Update procedure for process changes

The following revisions are effective 02/01/02:

- Update procedure for personnel changes
- Update procedure for process changes
- Update procedure for department name change

The following revision is effective 11/01/03:

- Update procedure for definitions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revisions are effective 11/01/05:

- Update policy for personnel changes
- Update policy for procedural changes



New Corporation Set-up - Corporate Accounting

Functional Area: General Accounting
Sarbanes-Oxley Category: High Level Controls
Process Owner: Gwen Pate
Effective Date: 09/01/98
Revised Date: 11/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All proposed and accepted new Cinergy corporations shall follow the following prescribed procedure to ensure a successful foundation to record business transactions and comply with all regulatory bodies.

Reason for Policy

To provide guidance in the creation and set-up of new Cinergy corporations thus ensuring a thorough and successful foundation for the corporation to start from

Process Flows

Process Description/Narrative

Business unit sponsors are responsible for determining when the establishment of a new corporation is necessary. They must provide a business case supporting the new corporation to Legal for review. If it is determined that a corporation will be established, Legal notifies General Accounting and business unit personnel. The business unit personnel are responsible for completing the New Corporation Set Up form and the New Account Set Up form (both of these forms are available on the Finance and Accounting Community page of iPower).

General Accounting reviews the documentation from Legal and forms from the business unit personnel. Based on the data received, General Accounting establishes the new corporation and accounts in the finance and accounting tools to ensure that accounting activity for the new entity is properly recorded and reported in the financial statements. Users of financial information are notified by General Accounting that the new corporation and accounts have been established. Legal provides External Reporting with information necessary for regulatory filings.

General Accounting notifies Accounting Research of new corporations and Accounting Research works with the BU owners and Legal to determine if new corporation should be consolidated in accordance with the Consolidations Policy.

Frequently Asked Questions

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Legal	Ceci Temple	1. Notify Manager of General Accounting and appropriate BU financial operations personnel with the following information: a. Official corp name including: <ul style="list-style-type: none"> • Type of business • Parent corp • Will corp have fully dedicated employees paid by Cinergy
Business Unit (BU)	Appropriate Financial Operations Personnel	2. Provide/notify Manager of General Accounting with the following: a. New corporation set-up form b. New account set-up form c. The start-up cost for the new corp and where it has been charged (including corp # and work

		codes)
Corporate Accounting	General Accounting Mgr.	3. Review information and forward to appropriate Corporate Accounting and External Reporting employees.

Setting up the new corp in BDMS and GL

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	John Linton Ron Cooley	1. Establish the new corp on the corporation table along with required subledgers, accounts, workcodes, etc.
Corporate Accounting	Amy Dean	2. Establish new LOB and allocations as required
Corporate Accounting	John Linton Ron Cooley	3. Determined and set up required intercompany data including subledgers, accounts, workcodes, etc. and valid combinations with the new corporation. This includes revenue accounts and workcodes for the service company relationship.
Corporate Accounting	John Linton Ron Cooley	4. Notify the following people that the new corporation is set up: <ul style="list-style-type: none"> • BU • Accounts Payable • Cost Accounting • Corporate Accounting • External Reporting • Budgets • Tax • Treasury

Obtaining Information Required to Prepare Financial Filings

DEPARTMENT	RESPONSIBILITY	ACTION
Legal	Ceci Temple	1. Provide External Reporting with the following information: <ol style="list-style-type: none"> a. 35 Act status determination (e.g., FUCO, rule 58, classification within rule 58, etc.) b. Listing of officers and directors c. Initial capital structure including: contributions, number of shares authorized and outstanding, and commitments for additional capital contributions or ownership percentage, etc.

		d. The articles of incorporation/ bylaws
External Reporting	Manager	2. Notify External Reporting employees about the new corporation.
External Reporting	Manager	3. Convert the articles of incorporation /bylaws in to EDGAR format.
External Reporting	Manager	4. Update the applicable exhibits (U5S, 10-K, etc.).
External Reporting	Manager	5. Update the listing of all officers and directors.

Training and Documents

Training:

Additional Documents:

- The New Corp and New Account Set-up Forms are located in the Finance and Accounting Community page of iPower.

Who Should Know

- Corporate Accounting
- External Reporting
- Legal
- Business Unit Staffs

Related Information

New Corporation Set-up - Tax Department Policy

New Corporation Set-up - Treasury Department Policy

New Corporation Set-up - Service Company Policy

New Corporation Set-up - Misc. Accounts Receivable Policy

New Corporation Set-up - Payroll Policy

Consolidations Policy

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
John Linton	Coordinator	Corporate Accounting
Benita Ross	Supervisor	Corporate Accounting
Maria Birnbaum	Manager	External Reporting
Ceci Temple	Legal	Legal
Kelly Henson	Lead Analyst	Corporate Accounting
Ron Cooley	Senior Analyst	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 11/01/00:

- Update procedure for personnel changes
- Update procedure for process changes

The following revision is effective 04/01/02:

- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revisions are effective 11/01/05:

- Update procedure for process changes
- Update procedure for personnel changes



Cash - Transaction Procedures

Functional Area: General Accounting
Sarbanes-Oxley Category: Treasury
Process Owner: Gwen Pate
Effective Date: 01/01/99
Revised Date: 08/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Each month Treasury will create a file of all cash transactions from the Treasury Manager system (TMAN), which is fed to the General Ledger. Additionally, Treasury will ensure that the TMAN direct feed is correctly posting all applicable transactions to the cash accounts.

Corporate Accounting will download the daily TMAN files, for use in the preparation of various monthly cash transaction reports.

Additional sources of system generated cash transactions include Passport (Accounts Payable) and the Customer Management System (CMS-Billing Services). The remaining cash transactions are recorded through the Journal Entry Tool, and consist of manual journal entries.

Reason for Policy

- To ensure all cash transactions are recorded in the Company financial statements in adherence to GAAP and Regulatory Requirements

- Money Pool Loans
- Bank Loan Borrowings
- Bank Loan Repayments
- Cash Concentrations
- Interest on Sweep Accounts
- Certain Inter-company Disbursements and Receipts (Per Corporate Accounting Intercompany Memo)
- Foreign Currency Exchanges

Q4. What cash transaction reports are prepared each month?

A. Corporate Accounting prepares the following reports each month, using data that is downloaded from TMAN:

- Total Transaction Report
- TR001, TR002 and TR003 detailed reports
- TTR to TR001/TR002/TR003 tie-out report
- Moneypool detailed report
- Bank Loan Report (including Moneypool, External Debt and Commercial Paper)

Procedure

Each day bank accounts are polled to create the "Total Bank Transactions Report" as follows:

DEPARTMENT	RESPONSIBILITY	ACTION
Capture information on business transactions Classify transactions Identify error(s) and pushback for correction Correct error(s) Treasury	Bob Burwell Sherry Sovilla Eric Driscoll Kim Sipes	1. On a daily basis, via the polling process, the Treasury Manager captures the previous day's activity for the following cash receipts and disbursements transactions: <ul style="list-style-type: none"> a. Accounts Payable Check, ACH and Wire payments b. CMS Receipts from Customer Payment Processing c. Lockbox Payments d. Bulk Power Wire Transfers e. Customer Refund Payments f. Money Pool ACH's g. Other Wire Transfer Receipts/Disbursements h. Payroll Register Payments and Payroll Funding Transfers

Cash - Transaction Procedures

		<ul style="list-style-type: none"> i. Bond or Stock Issuance j. Common Stock Dividend Payments from Subsidiaries to Parents k. Bank Fees l. Inter-Company Receipts and Disbursements m. Miscellaneous Cash Receipts, including: <ul style="list-style-type: none"> • PSI Claims and Damages • Tax Withholding Payments • Bankruptcy Payments • Management Stock Options • Fuel Trading • Other Misc. Receipts n. International and Domestic Purchase of Businesses o. Interest on Sweep Accounts p. Returned Items q. Foreign Currency Exchanges
Treasury	Bob Burwell Sherry Sovilla Eric Driscoll Kim Sipes	2. On a daily basis, review the "Total Bank Transactions Report" for unusual transactions. Investigate and resolve all unusual items.
Treasury	Bob Burwell Sherry Sovilla Eric Driscoll Kim Sipes	3. By the 2 nd working day of the following month, provide Bulk Power with applicable portions of the "Total Bank Transactions Report" and associated back up.
Corporate Accounting	Bob Hoffmann	4. Downloads cash transactions from TMAN on a daily basis. These daily downloads become the basis for the file that will be used to prepare the Total Transactions Report at month-end.
Corporate Accounting	Wesley Ryan	5. Reformats the file prepared by Bob Hoffman that contains the daily downloads for the month as follows to create the Total Transactions Report: <ul style="list-style-type: none"> • Re-sorts the data by Cinergy Corporation • Summarizes the data by each of the transaction types, i.e., lockbox payments, money pool ACH's, etc. • Performs other procedures to reformat the raw data from TMAN into the final report

Corporate Accounting	Wesley Ryan	6. Ties out the corporation and transaction type summary information per the Total Transactions Report to the monthly files posted in BDMS (TR001, TR002 and TR003).
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Identify error(s) and pushback for correction
 Prepare journal entries
 Identify & correct errors
 Post journal entries

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Wesley Ryan	1. Forwards the final Total Transactions Report to the appropriate Cinergy personnel who will utilize the report to book their monthly journal entries for "GENERAL" cash receipts.
Various Departments	Various Individuals	2. Review the Total Transactions Report for reasonableness and communicate any errors back to Corporate Accounting and Treasury for follow up and resolution.
Various Departments	Various Individuals	3. Prepare monthly journal entries according to the corporation and transaction type summaries per the Total Transactions Report.
Various Departments	Various Individuals	4. Review journal entries for reasonableness and push back any necessary corrections to preparer.
Various Departments	Various Individuals	5. Record corrections to journal entries.
Various Departments	Various Individuals	6. Approve entries for posting.
Corporate Accounting	BDMS/John Linton	7. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Training and Documents

Training:

Additional Documents:

- Treasury Controls Checklist

- Corporate Accounting Desk Procedure on daily download of TMAN
- Corporate Accounting Desk Procedure on monthly preparation of the Total Transactions Report

Who Should Know

- Treasurer
- Treasury
- Corporate Accounting
- Miscellaneous Accounts Receivable
- Bulk Power
- Fuels Accounting

Related Information

Miscellaneous Bulk Power Payments Policy

Miscellaneous Cash Receipts - Fitness Center Policy

Miscellaneous Cash Receipts - Insurance Claims for PSI Policy

Miscellaneous Cash Receipts - Insurance Claims for CG&E Policy

Miscellaneous Cash Receipts - Refunds /Credits /Dividends Policy

Payroll - Disbursements Policy

Reconciliation of Accounts Payable Disbursements between Cash Ledger & General Ledger - Cash Accounts Policy

Cash Ledger & General Ledger - Cash & Temporary Cash Investments Accounts Reconciliation & Analysis Policy

Bank Reconciliation Procedures Policy

Positive Pay Process Policy

Cash Management - Daily Process Policy

Contacts

NAME	ROLE	DEPARTMENT
Kim Sipes	Manager, Corporate Cash Management	Treasury
Bob Burwell	Senior Analyst	Treasury
Sherry Sovilla	Senior Analyst	Treasury
Tom Reis	Coordinator	Corporate Accounting
Bob Hoffmann	Senior Accounting Clerk	Corporate Accounting
Wesley Ryan	Senior Analyst	Corporate Accounting
Diana Douglas	Manager	Fuels Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

TMAN - Treasury Manager

EOD - End of Day

BDMS - Business Data Management System

Revisions

The following revisions are effective 05/01/02:

- Update procedure for implementation of Treasury Manager system
- Update procedure for personnel changes

The following revisions are effective 03/01/04:

- Update procedure for Treasury Manager system
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 08/01/05:

- Update procedure for personnel changes



New Account Set-up & Definition (Account Standards)

Functional Area: General Accounting
Sarbanes-Oxley Category: High Level Controls
Process Owner: Gwen Pate
Effective Date: 05/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be defined according to a group of Account Standards. These standards are to be addressed when a new account is set-up by Corporate Accounting.

PBR (Accounting Data Setup) is utilized for tracking adherence to these standards.

The Account Standards are as follows:

Account Standard	Definition
Account #	General Ledger Account Number
Account Title	Description of Account
Dept. Owner	Department with responsibility for reconciling the account
Individual Owner	Individual department employee with the responsibility for reconciling the account
Last Reconciled Date	Last period for which the account was reconciled (e.g., General Ledger balance was reconciled against the actual balance)

New Account Set-up & Definition (Account Standards)

Nature of Account	Does the nature of the account require a high frequency of reconciliation (for example: cash accounts, equity accounts) (Yes/No)
Volume of Transactions	Does a high volume of transactions occur causing the inherent risk to be higher (Yes/No)
Regulatory Impact	Is the account closely monitored by a regulatory agency (Yes/No)
Audit Impact	Is the account closely monitored by the D&T audit team (Yes/No)
Stability	Does the balance of the account vary widely from period to period (Yes/No)
Reconciliation Frequency	Based on the criteria above, should the account be reconciled Monthly (M), Quarterly (Q), Semi-Annual (S), or Annual (A).

Reason for Policy

Account Standards provide several benefits:

- To delineate account reconciliation duties between the Accounting Department and the Business Units
- To ensure responsibility for accuracy of data within an account is held by those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding all the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Requesting a New Account

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines the need for a new account.
Any Department	Requester	2. Provide person in-charge (John Linton) of new accounts set-up within Corporate Accounting with a completed New Account Request form.
Corporate Accounting	John Linton	3. Research new account <ul style="list-style-type: none"> • Discuss issues as needed with manager • Review for consistency with Chart of Accounts guidelines • Review for consistency with general account structure
Corporate Accounting	John Linton	4. Perform tasks to set-up the account in all systems (see procedure for New Account Set-up).
Corporate Accounting	John Linton	5. Inform requesting employee of the new account number and inform department and individual of new account ownership.
Corporate Accounting	John Linton	6. Inform individuals under "who should know" list of the new account.

Training and Documents

Training:

Additional Documents:

- New Account Request form

Who Should Know

- Controller
- Assistant Controllers
- Regulated Businesses BU Financial Operations
- Power Technology & Infrastructure Services BU Financial Operations
- Energy Merchant BU Financial Operations
- Budgets & Forecasts
- Corporate Accounting

- Management Reporting & Cost Accounting
- Tax
- Human Resources
- IT
- Rates
- Shareholder Services
- Fixed Asset Accounting
- Payroll & Benefits Accounting
- Accounts Payable
- Accounting Research and Reporting
- Treasury

Related Information

- Reconciliation & Analysis of Accounts Policy
- User's Guide Account Reconciliation Database
- User's Guide to Generating Reports from Accounting Data Set-up for the Account Reconciliation Database
- User's Guide to Generating Account Reconcile Status Report from FRT
- User's Guide to Generating Reports from FRT for the Account Reconciliation Database

Contacts

NAME	ROLE	DEPARTMENT
John Linton	Coordinator	Corporate Accounting
Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 08/01/99:

- Update "Responsibility" column for personnel changes
- Creation of Account Reconciliation database in PBR

The following revisions are effective 04/01/01:

- Update for department changes
- Update for New Account Request form

The following revision is effective 10/01/02:

- Update for department name change

The following revision is effective 11/01/03:

- Update for department name change

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Monthly Reporting Process

Functional Area: General Accounting
Sarbanes-Oxley Category: Financial Reporting & Disclosures
Process Owner: Gwen Pate
Effective Date: 05/01/02
Revised Date: 11/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Each month, Corporate Accounting shall prepare and analyze the financial statements to provide Accounting management with information regarding financial results.

Reason for Policy

To document the monthly reporting process for providing Accounting management with information regarding financial results

Process Flows

Process Description/Narrative

Timeline:

Prior to the end of each accounting period, Corporate Accounting will publish a Closing Calendar outlining the procedure and due dates for closing the current accounting period. The calendar will be available via iPower. The calendar will disclose the workdays for the month and the tasks due on each workday. When necessary, weekends will be included as workdays to ensure the financials are completed in a timely manner.

Preliminary Results:

Preliminary results will be scheduled for release on the 8th working day. In order to meet this release date, all tasks listed on the calendar must be completed on the due dates assigned. The release of the preliminary results is dependent on timely execution of the Closing Calendar tasks. This includes feeders being received in Corporate Accounting, journal entries completed, approved and posted, accounting modules ran, and reviews completed. Once all necessary tasks are completed, management will meet and determine when the preliminary results will be released.

Financial Result Analysis:

Financial analysis will be performed on the preliminary results and issues reported to management. Any required journal entries will then be completed and all necessary closing calendar tasks will be repeated to incorporate the correcting journal entries into the financials. Financial analysis will then be updated to include these corrections.

Final Financial Results:

Final financial statements will be submitted to management for final review. Once the financials have been approved by management, the reporting month will be closed. At the end of each month, General Accounting will distribute a Monthly Comparative Variance Analysis packet. This packet will include final copies of the financials, income statement summary analysis, margin analysis, income statement line item analysis, weather and volume analysis, balance sheet summary analysis and balance line item analysis.

Frequently Asked Questions

Procedure

Preliminary Results from Hyperion Reports, Hyperion Analyzer and CFO Report Packet

DEPARTMENT	RESPONSIBILITY	ACTION
		<i>Note: The following process is performed monthly to produce preliminary results in Hyperion Reports.</i>
Corporate Accounting Corporate Accounting Corporate Accounting F&A Production Support	Gwen Pate Kelly Henson Ron Cooley Kathy Lilly	1. The closing calendar will be posted to the Accounting page in the iPower Financial and Accounting community. Users can check the Closing Calendar status to determine its availability.
Various Departments Corporate Accounting	Various John Linton	2. 1 st Working Day: All feeders for reporting month due to Corporate Accounting by noon. Corporate Accounting post feeders.
Corporate Accounting	John Linton	3. 1 st Working Day: Load and Post feeders to BDMS.
F&A Production Support	Jaylynn Duncan	4. 1 st Working Day: BDMS metadata load to HFM and DW. This process will require approximately 5-10 hours of downtime on HFM.
Various Departments Corporate Accounting	Various John Linton	5. 2 nd Working Day: All Corp 500 and Work Order journal entries due by 4pm. Corporate Accounting will then post all approved journal entries.
Corporate Accounting	John Linton	6. 2 nd Working Day: Roll month-end. Create fixed assets extract files.
		7. 2 nd Working Day: Overnight DW Load to Essbase cubes.
Corporate Accounting IT	John Linton Dan Coplen	8. 2 nd - 7 th Working Days: Overnight BDMS load to DW.
F&A Production Support	Jaylynn Duncan	9. 3 rd Working Day: Preliminary Hyperion Analyzer Management Reporting available.
Various Departments	Various	10. 4 th Working Day: Income Statement journal entries (excluding authorized exceptions) are due by noon.
Various Departments Corporate Accounting	Various John Linton	11. 4 th Working Day: Balance Sheet journal entries are due by 4pm.

		Corporate Accounting will then post all approved journal entries, including w.o. allocations.
Corporate Accounting IT	John Linton Dan Coplen	12. 4 th Working Day: CMS load to DW – Stats and Revenue.
Various Departments Corporate Accounting	Various John Linton	13. 5 th Working Day: Final Income Statement and Balance Sheet journal entries due by 4pm. Corporate Accounting will then post all approved journal entries including j.o. module.
Corporate Accounting Management Reporting	Kelly Henson	14. 6 th Working Day: Enter stat data into HFM.
Corporate Accounting	John Linton	15. 6 th Working Day: Final runs of tax, equity, AR/AP, and major LOB modules. <i>Note: This step will be repeated with any entries posted as a result of the review and analysis procedure to follow.</i>
Corporate Accounting	John Linton	16. 6 th Working Day: Final BDMS load to HFM and consolidation/eliminations. <i>Note: This step will be repeated with any additional entries posted as a result of the review and analysis procedure to follow.</i>
Corporate Accounting	Kelly Henson	17. 6 th Working Day: Final review of intercompany balances. <i>Note: This step will be repeated with any additional entries posted as a result of the review and analysis procedures to follow.</i>
F&A Production Support	Kathy Lilly	18. 7 th Working Day: Overnight load to Essbase cubes.
F&A Production Support	Kathy Lilly	19. 8 th Working Day: Preliminary Hyperion Reports, Hyperion Analyzer and CFO Report Packet available. <i>Note: Release of statements is contingent on Preliminary Results Meeting approval.</i>
F&A Production Support	Kathy Lilly	20. 9 th Working Day: HFM load to DW (Elimination and Consolidations)
Corporate Accounting	Christina Dyer	21. Final 10Q/K financial statements due to External Reporting (quarterly only).
Corporate Accounting	Christina Dyer	22. 10Q/K Data request responses due to external reporting (quarterly only).
Corporate Accounting	Dani Weatherston	23. All PBC's due to external auditors

	(quarterly only).
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Prepare schedules for Preliminary Results Meeting and Monthly Comparative Variance Analysis Packet

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Bryan Byerly	1. 6 th – 7 th Working Days: Prepare Income Statement Variance Analysis to provide to Corporate Accounting Manager. Analysis to be included in Preliminary Results meeting packet and Monthly Comparative Variance Analysis Packet.
Management Reporting	Aaron Musgrave	2. 6 th – 7 th Working Days: Prepare Margin Analysis to provide to Director of Management Reporting and Analysis. Analysis to be included in Preliminary Results meeting packet and Monthly Comparative Variance Analysis Packet.
Regulated Business Accounting	Ben Flora	3. 6 th – 7 th Working Days: Prepare Weather/Volume. Analysis to be included in Preliminary Results meeting packet and Monthly Comparative Variance Analysis Packet.
Corporate Accounting	Kelly Henson Bryan Byerly	4. 6 th – 11 th Working Days: Prepare income statement and balance sheet supporting schedules. Analysis to be included in Monthly Comparative Variance Analysis packet. Analysis to be included in Monthly Comparative Variance Analysis Packet. <i>Note: The majority of balance sheet supporting schedules are only prepared quarterly.</i>
Corporate Accounting	Kelly Henson	5. 6 th – 14 th Working Days: Prepare cash flow supporting schedules and statements. Analysis to be included in Monthly Comparative Variance Analysis Packet.
Corporate Accounting	Bryan Byerly	6. End of Month: Prepare and distribute Monthly Comparative Variance Analysis Packet. <ul style="list-style-type: none"> • Controller • Assistant Controller • Assistant Comptroller • Director General Acct

	Warehouse	
Kelly Henson	Lead Analyst	Corporate Accounting
Bryan Byerly	Senior Analyst	Corporate Accounting
Kathy Lilly	Manager	F&A Production Support
Aaron Musgrave	Lead Analyst	Management Reporting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Hyperion Financial Management (HFM) – Financial management and reporting tool

Hyperion Reports – Provides users with standard reports used for financial statement reporting and analysis

Hyperion Analyzer – Supports management reporting and provides graphical reports for the CFO Reports Packet

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 11/01/05:

- Update policy to reflect new reporting tools



Money Pool Transactions

Functional Area: General Accounting
Sarbanes-Oxley Category: General Ledger Accounting
Process Owner: Gwen Pate
Effective Date: 08/01/05
Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

On a monthly basis, Corporate Accounting will record the accounting entries (CA 343 journal entries) necessary to recognize the financial impact of money pool transactions between the various Cinergy entities.

Reason for Policy

To ensure that the financial impact of all money pool transactions are properly recorded in the Company's financial statements, in adherence to GAAP, Regulatory Requirements and the Money Pool Agreement

Process Flows

Process Description/Narrative

Each month, Corporate Accounting downloads a file from the Treasury Manager system (TMAN), containing the short-term debt transactions. Each transaction is

supported by a debt "ticket" which contains the essential elements of the borrowing arrangement (Investing Co., Borrowing Co., Date Issued, Date of Maturity, No. of Days, Interest Rate, Principle and Maturity Amount).

These Money Pool transactions are isolated in an excel file (Bank Loans), which is then re-formatted for analysis and calculation purposes. The data elements in the excel file are used to calculate the accrued interest earned for each debt instrument (ticket).

In calculating the interest amount for the borrowing period, no interest is calculated for the last day and 360 days are used as the annual period in the denominator. The interest amounts calculated at the beginning and end of the month may need to be prorated, based on any overlap of borrowing periods that span two different months. Also, accrued interest for the last day of the month is excluded from Accounting's CA 343 entries, since it is included as part of the TR001 system feed to BDMS.

Maturity amounts are calculated at month-end, which should agree with the General Ledger Notes Receivable balance, after posting the CA 343 and TR001 entries.

Manual CA 343 journal entries are prepared to record interest income and expense, as well as adjust notes receivable and inter-company accounts for the current month's activity.

Frequently Asked Questions

Q1. Why are the CA 343 journal entries necessary?

A. To record the financial impact of borrowing activity between the entities, that is not included as part of the TR001 system feed to BDMS.

Q2. Are there any prohibited borrowing arrangements per the Money Pool Agreement?

A. Yes. Cinergy Corp (800) cannot borrow from its subsidiaries.

Q3. Are the other entities allowed to engage in lending and borrowing activities?

A. Yes. Except for the prohibited arrangement in Q2, the other entities can lend and borrow funds among themselves.

Procedure

Prepare, review and approve CA 343 journal entries:

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Wesley Ryan	1. Download the short-term debt file from TMAN and export into excel spreadsheet.
Corporate Accounting	Wesley Ryan	2. Re-format data in excel spreadsheet to include only money pool transactions. This new file is titled "Bank Loans". This file contains the following information for each debt instrument (ticket): <ul style="list-style-type: none"> • Investing Company • Borrowing Company • Description • Ticket Number • Date Issued • Date of Maturity • Number of Days • Interest Rate • Principle Amount • Maturity Amount • Interest Accrued/Earned
Corporate Accounting	Wesley Ryan	3. Calculate accrued interest earned for the month, prorating amounts at the beginning and end of the month, based on the borrowing period and month-end cut-off. <i>Note: No interest is calculated for the last day of the borrowing period and 360 days is used as the annual period in the denominator. Also, TMAN records the accrued interest for the last day of the month and feeds this information to BDMS.</i>
Corporate Accounting	Wesley Ryan	4. Prepare the CA 343 journal entries to record interest income and expense, as well as adjust notes receivable and inter-company accounts for the current month's activity.
Corporate Accounting	Tom Reis	5. Review the various CA 343 journal entries. This includes recalculating amounts and days outstanding, verifying General Ledger notes receivable balances, cut-offs and prior month's information.

Corporate Accounting	Tom Reis	6. Investigate and resolve any differences.
Corporate Accounting	Tom Reis	7. Approve the various CA 343 journal entries.

Training and Documents

Training:

Additional Documents:

- Money Pool Agreement

Who Should Know

- Corporate Accounting
- Treasury

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Tom Reis	Coordinator	Corporate Accounting
Wesley Ryan	Senior Analyst	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

TMAN - Treasury Manager

Revisions



Misc. Cash Receipts – Refunds/Credits/Dividends

Functional Area: General Accounting
Sarbanes-Oxley Category: Revenue, Metering, Billing, Receipts,
Collections
Process Owner: Gwen Pate
Effective Date: 09/01/98
Revised Date: 08/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Miscellaneous cash receipt activity related to refunds, credits, and dividends in the Company financial statements in should be recorded in adherence to GAAP.

Reason for Policy

To ensure that all miscellaneous cash receipt activity related to refunds, credits, and dividends are properly recorded in the Company financial statements in adherence to GAAP

Process Flows

Process Description/Narrative

This procedure describes the process that is used to identify and record cash movement that is not entered by a specific departments system (such as Billing Services customer management system, the accounts payable system, Miscellaneous Receivables computer system, etc.) or another policy specified under Revenue, Metering, Billing, Receipts, Collections category.

Through Treasury Manager's daily processing (see Treasury: Cash Management - Daily Processing), all cash receipts and disbursements are collected and categorized. General accounting then reviews the transactions on a daily and/or monthly basis to determine which items are processed through specific department systems (such as Billing Services customer management system, the accounts payable system, Miscellaneous Receivables computer system, etc.) or which items need manual intervention (see Closing Procedures: Cash Ledger Procedure). General Accounting identifies these items on the Total Transaction Report with an identifier of GEN (see Closing Procedures: Cash Transaction Procedures).

The items which need manual intervention are reviewed daily and/or monthly by General Accounting to determine whether proper accounting exists with the back-up provided by Treasury or through emails received from other departments notifying General Accounting of receipts and disbursements that will, or have been, initiated (coal trading transactions, deposits sent to Treasury for deposit, miscellaneous wires, received from third parties that do not have corresponding invoices, etc.). The accounting that is provided by Treasury or other departments is used to manually book the entry to the general ledger. For those transactions where proper accounting has not been provided in some manner, research is done to determine which department owns the transactions and steps are taken to obtain proper accounting so that the entry can be booked to the general ledger manually.

Once all transactions have been identified and proper accounting has been obtained, General Accounting enters the transactions manually via the journal entry tool. The journal entry number used is either CA101 or CA106, depending on the corporation. When the entry has been input into the system and the preparer has marked the entry as complete, the preparer of the entry prints a copy of the journal entry and hands it with the Total Transaction Report, and all back-up showing proper accounting to the General Accounting reviewer. The reviewer then identifies any errors that may exist in the preparation of the journal entry. If errors are found, the entry is updated by the preparer and corrected. The reviewer will then review the entry again for any potential errors. Once the entry has been adequately prepared and reviewed the entry is marked by the reviewer in the journal entry tool as approved. The entry is then posted to BDMS by data warehouse.

As a tool to ensure that all transactions identified as needing manual entry into BDMS have been entered, General Accounting has created a spreadsheet to tie-out what was

identified on the Total Transaction Report to what was entered into the Journal Entry Tool. This is reviewed by the 5th workday of each month. General Accounting ensures that all transactions identified for manual intervention have been entered for the month. If there are any discrepancies identified on the 5th workday, General Accounting works to identify what transactions make up the discrepancy and how it is going to be resolved in the current month.

Procedure

Capture information on business transaction
 Classify transactions for journalizing
 Cutoff transactions

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Kim Sipes	1. Capture refund/ credit/ dividend deposit activity and classify into Treasury Manager. Month end cutoff occurs on the last day of the month. <i>Note: if there are any errors, these will be identified during bank reconciliation process and correction made by Treasury in the following month. Note: this process should be completed daily.</i>

Identify error(s) in Source Documents and pushback for correction

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Wesley Ryan	1. Match refund/ credit/ dividend deposit ticket to Total Transactions Report. <i>Note: this process should be complete by Day 1, EOD.</i>

Prepare journal entries

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Kim Sipes	1. Forward a copy of all refund/ credit/ dividend deposit tickets together with a copy of the check to Corporate Accounting. <i>Note: this process should be completed daily.</i>
Corporate Accounting	Wesley Ryan	2. Total Transaction Report is prepared by Corporate Accounting. <i>Note: this process should be complete by Day 1, EOD.</i>

Misc. Cash Receipts - Refunds/Credit/Dividends

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Christina Dyer Robert Hoffmann	3. Use data from Total Transaction Report and other source documents (e.g. deposit tickets, memos) to record into the JE Tool (JE - CA101 and CA106). <i>Note: this process should be completed in accordance with the closing calendar.</i>

Identify errors in prepared journal entries

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Christina Dyer Kelly Henson Tom Reis	1. Verify a copy of the journal entry against the Total Transaction Report and source documents to ensure data entry accuracy. If an error is identified, return the JE and correcting note to preparer. <i>Note: this process should be completed in accordance with the closing calendar.</i>

Correct errors in prepared journal entries

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Christina Dyer Robert Hoffmann	1. Correct data entry errors in JE Tool. <i>Note: this process should be completed in accordance with the closing calendar.</i>

Post journal entries to BDMS 3.0

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Christina Dyer Kelly Henson Tom Reis	1. Approve journal entries for posting.
Corporate Accounting	BDMS Coordinator / John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be completed in accordance with the closing calendar.</i>

Create and post accruals

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. No accruals are booked related to miscellaneous cash receipts.

Create and post reserves

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. No reserves are booked related to miscellaneous cash receipts.

Training and Documents

Training:

Documents:

Who Should Know

- Corporate Accounting
- Treasury

Related Information

Misc. Cash Receipts - Fitness Center Policy

Misc. Cash Receipts - PSI Insurance Claims Policy

Misc. Cash Receipts - CGE Insurance Claims Policy

Misc. Cash Receipts - Management Stock Option Payments Policy

Contacts

NAME	ROLE	DEPARTMENT
Robert Hoffmann	Senior Accounting Clerk	Corporate Accounting
Christina Dyer	Senior Analyst	Corporate Accounting
Wesley Ryan	Senior Analyst	Corporate Accounting
Kelly Henson	Lead Analyst	Corporate Accounting
Tom Reis	Coordinator, Bank Account Reconciliation	Corporate Accounting
John Linton	Coordinator, Data Warehouse	Corporate Accounting
Gwen Pate	Manager, General Accounting	Corporate Accounting
Kim Sipes	Manager, Cash Management	Treasury

Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 11/01/00:

- Update procedure for personnel and department name changes
- Update procedure for process changes

The following revisions are effective 05/01/02:

- Update procedure for personnel changes
- Update procedure for process changes

The following revisions are effective 02/01/05:

- Update procedure for personnel changes
- Update for change in format

The following revision is effective 08/01/05:

- Update procedure for personnel changes



Miscellaneous Cash Receipts - Insurance Claims

Functional Area: General Accounting
Sarbanes-Oxley Category: Revenue, Metering, Billing, Receipts,
Collections
Process Owner: Gwen Pate
Effective Date: 10/01/05
Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Claims receipts are recorded timely and appropriately.

Reason for Policy

To ensure all receipts related to claims for PSI are deposited and recorded correctly and timely

Process Flows

Process Description/Narrative

PSI regularly receives checks from various people and companies to settle claims that are usually a result of damage done to PSI property. These checks are routed to Sherry

Hopson, Risk Management Asst., Claims Department. Sherry periodically (3-4 times a month) prepares a deposit slip, and completes a "Collection for Damage to Company Property" Report. This report identifies the claim, claim status, claimant, District, checks number and also lists the accounts to be credited.

Sherry forwards the checks and completed deposit slips to Treasury, who makes the deposit. "The Collection for Damage to Company Property" report is communicated to the areas where the damage occurred. A copy of the deposit slip and the "Collection for Damage to Company Property" report are sent to Bob Hoffman, Corporate Accounting. Bob prepares a monthly journal entry to post the cash receipt and also credit the various accounts. Bob also compares the deposit slip totals to the amounts recorded by Treasury.

Note that CG&E's miscellaneous cash receipts for insurance claims are settled through Miscellaneous Accounts Receivable.

Frequently Asked Questions

Q1. How is a new claim established?

A. The process to establish a claim amount is relatively straightforward. Once the claims department is notified of the claim, an investigation and liability exposure analysis is completed to determine potential future expenditures that Cinergy may incur once the claim is settled. The Claims department tracks these in the STAR database, which is in effect the subsidiary ledger. At month end, a report is generated indicating the open claims and the balance of the claims. An entry is recorded to adjust the balance of the general ledger account to the balance of the report. The expense side of this entry is reported in the O&M section. Roughly 36% of the claims maintained in the database are receivable in nature.

Q2. What is an average volume of checks and claims?

A. Approximately 70 claims a month are credited, and deposits are generally \$100K - \$200K.

Procedure

Communication of Cash Receipt

DEPARTMENT	RESPONSIBILITY	ACTION
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DEPARTMENT	RESPONSIBILITY	ACTION
Claims	Sherry Hopson	1. Notify Treasury and Corporate Accounting of cash receipt. Complete deposit slip. Forward to Treasury for Deposit.

Communicate Deposit of Cash Receipt:

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Bob Burwell	1. Complete the deposit transaction. Forward claims information to Bob Hoffman.

Training and Documents

Training: System training and job specific training should occur as needed

Who Should Know

- Corporate Accounting
- Claims

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Dani Weatherston	Senior Analyst	Corporate Accounting
Dave Jones	Supervisor	Claims
Sherry Hopson	Risk Management Asst	Claims
Bob Hoffman	Senior Accounting Clerk	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 10/01/05:

- Update policy to add Process Descriptions/Narrative
- Update policy for personnel changes



Health Insurance Claims Incurred But Not Reported (IBNR)

Functional Area: General Accounting
Sarbanes-Oxley Category: Payroll/Human Resources
Process Owner: Gwen Pate
Effective Date: 09/01/98
Revised Date: 09/01/05

All accounting policies can be found on iPower as follows:

- Launch iPower
- Go to Accounting Policies & Procedures Community

Policy Statement

Cinergy will record all transactions relating to employee/retiree health care claims, which have been incurred, but not reported (IBNR).

Reason for Policy

To record employee benefit activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

On an annual basis, Hewitt Associates, a benefits consulting and actuarial firm, is engaged to determine the incurred but not reported claims associated with Cinergy's

Health Insurance Claims Incurred But Not Reported (IBNR)

medical and dental self-insured plans. The Cinergy plans cover both active and retired employees.

Cinergy records reserves for medical and dental claims incurred but not reported associated with its "self-insured" plans. Cinergy maintains the following IBNR reserves:

Account	Description
242950	IBNR reserve for retiree medical
242955	IBNR reserve for active employee medical
242970	IBNR reserve for active employee dental
242975	IBNR reserve for retiree dental

The net change in the medical and dental IBNR reserves associated with retirees is debited or credited, as applicable, to the accrued postretirement benefit obligations (account 228380). Retiree medical and dental costs are accrued for in the FAS106 account based on actuarial calculations performed by Hewitt Associates. Adjustments to the FAS106 reserve is appropriately recorded through the fringe benefit cost pool. Annually in December, the FAS106 reserve is recorded to Hewitt's valuation, which does not include IBNR. See FAS106 Post Retirement Policy for information regarding retiree health care costs.

The net change in the medical and dental IBNR reserves associated with active employees is debited or credited, as applicable, to the fringe benefits cost pool (account 184100). See Fringe Benefits Cost Pool - Annual & Periodic Studies Policy for information regarding Cinergy's fringe benefits cost pool.

The IBNR reserve is allocated to the various Cinergy subsidiaries based upon active employee/retiree headcount. The active headcount data is obtained from the IPeople website and is titled, "Monthly Employee Census Summary". The retiree headcount data is obtained from Hewitt Associates upon request.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions for journalizing (CoA.2)
- Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Hewitt - Outside Vendor	Mike Jost	1. Generate estimated amounts from

		each insurance carrier for claims incurred, but not reported and provide to General Accounting and various other Cinergy personnel including, but not limited to: Human Resources. <i>Note: this information is requested on an annual basis and is generally received early-mid December.</i>
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Identify error(s) in Source documents and pushback for correction (CoA.3)
 Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Human Resources & Health & Welfare Strategies	Karen Feld & Donna Korte	1. Review estimated claims incurred but not reported reserve amounts for reasonableness. Notify Benefits Accounting upon concurrence.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Extract the net change in the IBNR totals from the manual Excel spreadsheet and enter into a journal entry in the JE Tool. <i>Note: this process should be complete by Day 2, EOD annually.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is located, notify the preparer and provide a copy of source doc's & JE's. <i>Note: this process should be complete by Day 2, EOD annually.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Analyst	1. Correct data entry errors in JE Tool, if necessary. <i>Note: this process should be complete by Day 2, EOD annually.</i>

Post journal entries to BDMS 2.0. (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
General Accounting	Senior Analyst	1. Approve journal entries in BDMS for posting.
General Accounting/Data Warehouse	BDMS/Data Warehouse Coordinator	2. BDMS will post all journal entries approved in JET. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves are included in the above processes. Cinergy updates the IBNR accrual annually at December 31.

Training and Documents

Training:

Documents:

- Hewitt Associates IBNR Report

Who Should Know

- General Accounting
- Human Resources
- Tax Department
- Cost Accounting

Related Information

FAS106 Postretirement Benefits Policy

Health Insurance Employee Contribution Policy

Health Insurance Employee/Employer Allocations Policy

Fringe Benefits Cost Pool - Annual & Periodic Policy

Contacts

NAME	ROLE	DEPARTMENT
Susan Balsley	Senior Analyst	General Accounting
Gwen Pate	Manager	General Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD: End of Day

IBNR: Incurred But Not Reported

Revisions

The following revision is effective 08/01/00:

- Update procedure for personnel changes

The following revision is effective 12/01/02:

- Update procedure for personnel changes

The following revision is effective 10/01/03:

- Update procedure Frequently Asked Questions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

The following revision is effective 09/01/05:

- Update policy for personnel changes



Journal Entry Rejects

Functional Area: General Accounting
Sarbanes-Oxley Category: General Ledger Reporting
Process Owner: Gwen Pate
Effective Date: 09/01/05
Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Journal entry rejects occur when an entry is submitted with incorrect accounting. Rejects should be reviewed on a monthly basis to ensure proper accounting in the financial statements.

Reason for Policy

To address accounting treatment of journal entry rejects to ensure all amounts are properly captured on the books and reported in the financial statements in accordance with GAAP

Process Flows

Process Description/Narrative

Journal entry rejects are transactions that for various reasons could not go through the accounting system with the accounting used when the journal entry was entered into

Journal Entry Rejects

the system. This primarily happens when the combination of data elements are invalid or a data element's stop date has been exceeded. The design of the new system has increased the number of validations done automatically with the system. Therefore, when a reject does occur, the system automatically records these items into the reject account 186910. All corporations have this account, although not all corporations have rejected items each month.

The month following entry into the system, Corporate Accounting goes through the reject account by item and requests information from the appropriate personnel in order to record the items with the proper accounting codes. CA then runs a monthly Financial Statement query (after the books are closed - generally around the 7th workday) and emails it to the user. The user has until the last Friday of the month to respond with the proper resolution. Once CA receives the accounting from the user, the journal entry is due by the end of the 2nd workday (in order to go through cost assignment). The ending balance in these accounts should be zero. All reconciling items are to be researched and resolved.

Please refer to Reconciliation & Analysis of Accounts policy for a full description for reconciling accounts.

Procedure

Reconciliation of Journal Entry Rejects.

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Jen Oberjohann	1. Run a Financial Statement Query to obtain the YTD balance. Ideally, balances should be zero. Balances that are not zero need to be further examined and resolved.
Corporate Accounting	Jen Oberjohann	2. Run a General Ledger Report to obtain YTD balance and to show the activity that has occurred during the current month.
Corporate Accounting	Jen Oberjohann	3. Enter G/L information onto to the Reconciliation sheet. Items during the current month activity not accounted for need to be placed under Reconciling items to be researched.

Provide correcting journal entries to clear the Journal Entry Reject account.

DEPARTMENT	RESPONSIBILITY	ACTION
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Journal Entry Rejects

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Jen Oberjohann	1. Run a Financial Statement Query with monthly activity to review the reject account by item.
Corporate Accounting	Jen Oberjohann	2. Request CBU, RBU, PTIS, Corporate Center and Shared Service group coordinators to provide the proper accounting to complete a correcting journal entry to clear out the reject account.
CBU, RBU, PTIS	Business Unit coordinators	3. Provide Corporate Accounting the proper accounting to clear the reject account.
Corporate Accounting	Jen Oberjohann	4. Complete a correcting journal entry with the accounting provided by the users. Must be completed by the end of the 2 nd workday (cost assignment).

Who Should Know

- Corporate Accounting
- Business Units (CPU, RBU, PTIS)
- Shared Services
- Corporate Center

Related Information

Reconciliation & Analysis of Accounts policy

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Susan Balsley	Senior Analyst	Corporate Accounting
Jen Oberjohann	Analyst	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

CA - Corporate Accounting

GAAP - Generally Accepted Accounting Principles

Revisions



Insurance - Reconciliation & Analysis

Functional Area: Insurance
Sarbanes-Oxley Category: Expenditures
Process Owner: Tony Redden
Effective Date: 09/01/01
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

On at least an annual basis, or more frequently, as determined by the Managing Director-Insurance, all prepaid insurance general ledger accounts will be reconciled. All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy

Reason for Policy

- To ensure that responsibility for accuracy of data within an account is held by those closest to the transaction
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What documentation should be included in the Account Reconciliation workpapers?

A. Account reconciliation workpapers will vary from account to account. However, at a minimum, each account's workpapers should include the following:

1. Account Background
 - a. Business purpose of account
 - b. Nature of charges to the account
 - c. Related accounts
 - d. Key contact person/department
2. Key Account Documents, as applicable
 - a. Copies of Insurance Policies
 - b. Copies of Insurance Premium Invoices
 - c. Copies of Request for Payment
 - d. Support for allocations to the appropriate corporations
 - e. Calculation of joint owner reimbursements
 - f. Support for the ownership percentages for the jointly owned facilities
 - g. Support for the premium allocations amongst the jointly owned facilities when several facilities are covered by one policy
 - h. Support for journal entries recorded, both recurring and non-recurring
 - i. Company policy or accounting research documents
 - j. Other applicable documents
3. Reconciliation Data
 - a. Date reconciliation performed
 - b. Individual performing reconciliation
 - c. Support for ending account balance
 - d. Reconciling items identified
 - e. Date, method, individual clearing reconciling items

The workpapers should also include any other documentation deemed necessary to support the appropriateness of the ending account balance.

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims	Tony Redden	<i>Note: The following process is performed at least annually, or more frequently, as determined by the Managing Director-Insurance, to reconcile all prepaid insurance accounts.</i>
Insurance & Claims	Tony Redden	1. Obtain GL information from FRT reports, and obtain supporting schedules from Excel spreadsheets.
Insurance & Claims	Tony Redden	2. Verify the balances from the GL to the supporting schedules.
Insurance & Claims	Tony Redden	3. Investigate any differences and miss-posted transactions, as necessary.
Insurance & Claims	Tony Redden	4. Create correcting adjustments, as necessary.
Insurance & Claims	Tony Redden	5. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims	Tony Redden	1. Provide monthly analysis and sufficient explanation to Business Units, as requested, regarding insurance activity.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims	Tony Redden	1. Perform variance analysis for

		Budget vs Actual data contained within the Insurance Claims P&L generated from the PBR tool. Provide Corporate Accounting information, as required, for their variance analysis.
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Training and Documents

Training:

- Insurance Reconciliation Training Manual

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Insurance & Claims

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Insurance - Premium Amortization Policy

Contacts

Name	Role	Dept
Tony Redden	Manager	Insurance. & Claims
Art Buescher	Supervisor	Acct. Reports & Procedures
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

No revisions were needed upon review 07/01/03

The following revisions are effective 12/01/03:

- Policy update to Frequently Asked Questions
- Updated for revisions in Procedures

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Insurance - Premium Amortization

Functional Area: Insurance
Sarbanes-Oxley Category: Expenditures
Process Owner: Tony Redden
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Cinergy will defer and amortize prepaid insurance premiums ratably over the life of the insurance policy period. Those policies deemed to be immaterial might be immediately expensed.

Reason for Policy

To record insurance premiums in the Company financial statements in adherence to GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What are prepayments?

A. Prepayments are expenditures for goods (other than inventories) or services before the goods are used or the services are received.

In addition, the Code of Federal Regulations defines a prepayment (designated as 165 accounts) as follows:

“This account shall include amounts representing prepayments of insurance, rents, taxes, interest and miscellaneous items, and shall be kept or supported in such manner as to disclose the amount of each class of prepayment.

As the periods covered by such prepayments expire, credit this account and charge the proper operating expense or other appropriate account with the amount applicable to the period.”

Q2. What types of insurance policies does Cinergy utilize? What is the typical duration of the policy periods?

A. Cinergy has the following insurance policies, which typically run for one year.

Property coverages are renewed annually on April 1st. Certain property coverages insure damages resulting from explosions, fires, etc., while other coverages insure against damage resulting from storms, high winds, tornadoes, etc. The Company’s property insurance covers eleven generating facilities, the combustion turbine (CT) fleet, and the corporate offices.

Directors & Officers (D&O) coverages are renewed annually on July 1st. Cinergy’s coverage is with several carriers.

General insurance coverages are renewed annually on July 1st. General insurance provides coverage for third party property damage and bodily injury.

In addition, Cinergy has approximately twenty-five minor policies, including coverages for Marine, Aircraft, Architect and Engineering, etc.

See Cinergy Solutions Insurance- Premium Amortization Policy for information regarding property, general liability, and D&O coverage for Cinergy Solutions.

See Outage Insurance - Premium Amortization Policy for information regarding outage insurance.

Q3. Who is responsible for negotiating Cinergy's individual insurance policies?

A. The Managing Director-Insurance is responsible for negotiating all insurance policies for Cinergy, excluding those relating to healthcare and outage insurance.

Q4. How are premium costs allocated to the appropriate Cinergy corporations?

A. The allocation methodology differs according to the type of policy.

Property insurance premiums are allocated roughly 50%/50% between CG&E (Corp 010) and PSI (Corp 100). Allocations are made to the various generating facilities of CG&E and PSI based on the insurable values of each facility.

General liability insurance premiums are allocated to CG&E, ULH&P and PSI (Corps 010, 070 and 100, respectively) based on prior year revenues (i.e. LEALLOC code EXE). CG&E and ULH&P costs are further allocated to gas and electric.

Directors and Officers (D&O) insurance premiums are charged to Cinergy Services (Corp 500) and allocated to the applicable Cinergy subsidiaries based on prior year revenues (i.e. LEALLOC code EXE). CG&E and ULH&P costs are further allocated to gas and electric.

Q5. Does Cinergy defer and amortize all insurance premiums?

A. All material insurance premiums are deferred and amortized over the policy life (generally one year). Certain immaterial insurance premiums, such as Marine, Aircraft, etc., may be immediately expensed. The determination of materiality is made on a case-by-case basis.

Q6. How does Cinergy account for insurance coverages for its jointly owned facilities?

A. The Company has the following jointly owned facilities, which require property insurance coverage.

Facility	Primary Owner*	Joint Owner(s)
Gibson Unit #5	PSI	WVPA, IMPA
PSI Transmission	PSI	WVPA, IMPA

Insurance - Premium Amortization

W. H. Zimmer Station	CG&E	Columbus and Southern, Dayton Power and Light
Beckjord Unit 6	CG&E	Columbus, Dayton
345 KV Transmission	CG&E	Columbus, Dayton
Miami Fort Units 7&8	CG&E	Dayton
Miami Fort Transmission	CG&E	Dayton
East Bend Unit 2	CG&E	Dayton
Stuart Station	Dayton	CG&E, Columbus
Killen Station	Dayton	CG&E, Columbus
Conesville	Columbus	CG&E, Dayton

* *Note that primary owner as used in this instance does not necessarily mean the majority owner, but rather, the owner who is responsible for obtaining property insurance for the jointly owned facility.*

The primary owner of the facility typically purchases the property and general insurance for the jointly owned facilities, paying the entire premium. The primary owner bills the co-owner(s) for their respective shares of the property insurance premium. The co-owner's share of the premium is determined based on their ownership percentages in each jointly owned facility.

For those facilities where CG&E or PSI is the primary owner, a prepaid asset is recorded for the entire premium amount, including the co-owners' respective shares. PSI/CG&E will bill the co-owners for their respective shares. PSI/CG&E will establish a receivable from the co-owner and the prepaid asset account will be reduced by the amount of the co-owners' shares. The net premium amount is amortized ratably over the life of the policy.

For those jointly owned facilities where CG&E is not the "primary owner", the primary owner will bill CG&E its share of the property insurance premium. CG&E will record its share of the premium as a prepaid asset and amortize the amount ratably over the life of the policy.

The property insurance policy includes coverage on all transmission and distribution lines within one thousand feet of the actual substation. For those facilities that are jointly owned, amounts covering the transmission and distribution lines are included in the allocations to/from the joint owners. All transmission and distribution lines that are not within one thousand feet of the substation are covered by the Cinergy's self-insurance program.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions for journalizing (CoA.2)
- Identify error(s) in Source Documents and pushback for correction (CoA.3)
- Correct error(s) in source documents (CoA.4)
- Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims	Tony Redden	1. Negotiate insurance coverages with carriers, including coverages for jointly owned facilities where PSI or CG&E is the primary owner.
	Joint Owners	2. Negotiate insurance coverages for jointly owned facilities where a third-party joint owner is the primary owner.
Insurance & Claims	Tony Redden	3. Receive vendor invoices for insurance premiums, including invoices for jointly owned facilities where PSI or CG&E is the joint owner as well as invoices for those jointly owned facilities where a third party is the primary owner.
Insurance & Claims	Tony Redden	4. Review vendor invoice for accuracy, approve for payment. Contact vendor regarding any discrepancies in premiums for resolution.
Accounting Reports & Projects	Cathy Spaulding	5. Review invoices from third party primary owners of jointly owned facilities.
Insurance & Claims Accounting Reports & Projects	Tony Redden Cathy Spaulding	6. Prepare <u>RFP</u> and forward the original invoice and the RFP to Accounts Payable for payment.
Accounting Reports & Projects	Cathy Spaulding	7. Forward copy of invoice to Insurance.
Insurance & Claims	Tony Redden	8. Update prepaid insurance Excel schedule. Record a prepaid asset for the entire amount of the premiums paid for jointly owned facilities where PSI or CG&E is the primary owner.
Insurance & Claims	Tony Redden	9. Calculate joint owners' share of the insurance premium where PSI or CG&E is the primary owner.

Insurance & Claims	Tony Redden	10. Communicate coverages acquired for jointly owned facilities and joint owners' share of premium to Accounting Reports & Projects.
Accounting Reports & Projects Insurance & Claims	Cathy Spaulding Tony Redden	11. Issue invoices to joint owners for their portion of the insurance premium. Invoices to CCD may be issued by Insurance & Claims.
Accounting Reports & Projects	Cathy Spaulding	12. Communicate amounts billed to joint owners to Insurance & Claims.
Insurance & Claims	Tony Redden	13. Update prepaid insurance Excel schedule.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims	Tony Redden	1. Input premium amortization into the JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>
Accounting Reports & Projects	Cathy Spaulding	2. Record entry to reclassify the joint owners' share from prepaid assets to other receivables.

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Global Risk Management Accounting Reports & Projects	Dennis Bryll Richard Gallagher	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. If an error is identified, return the JE and correcting note to preparer. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Insurance & Claims Accounting Reports & Projects	Tony Redden Cathy Spaulding	1. Correct data entry in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
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Global Risk Management Accounting Reports & Projects	Dennis Bryll Richard Gallagher	1. Approve journal entries for posting.
Corporate Accounting	BDMS/ John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Training and Documents

Training:

- Insurance Reconciliation Training Manual

Additional Documents:

- Copies of insurance policies
- Copies of insurance premium invoices
- Copies of the requests for pay
- Support for allocations to the appropriate corporations
- Calculations of the joint owner reimbursements
- Support for the ownership percentages of the jointly owned facilities
- Support for the premium allocations amongst the jointly owned facilities when several facilities are covered by one policy
- Support for any journal entries recorded, both recurring and non-recurring

Who Should Know

- Controller
- Asst. Controllers
- Corporate Accounting
- Insurance & Claims
- Accounting Reports & Projects

Related Information

Misc. Claims - Reconciliation & Analysis Policy

Contacts

Name	Role	Dept
Tony Redden	Manager	Insurance. & Claims
Art Buescher	Supervisor	Acct. Reports & Procedures
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD - End of Day

RFP - Request For Pay

Revisions

The following revision is effective 09/01/01:

- Update department and personnel names

The following revision is effective 07/01/03:

- Update personnel names

The following revision is effective 12/01/03:

- Update Procedure and Frequently Asked Questions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

F&A Service Set-up



F & A Service Set-up

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Service codes are to be used consistently across Cinergy Corp. To maintain the integrity of the element and the associated values, governance standards and restricted access has been implemented. The standards are to be addressed when a service is to be added, modified or deleted. Services will be jointly owned by Shared Services and Corporate Center with each group maintaining their own services codes.

All changes to service and the service hierarchy for current month must be made by the last day of the month so that all reporting tools remain synchronized.

SERVICE STANDARD	DEFINITION
Service Code	The service code is used to track services provided to Cinergy organizations by Shared Services and Corporate Center.
Service Type	Denotes whether service is a direct or indirect charge. Direct charges are for services specifically requested.
Rollup Type	Denotes whether service is at detail or summary level.
Description	Service description limited to 40 characters.
Start Date	Date service begins.

SERVICE STANDARD	DEFINITION
Stop Date	Date service no longer required.
Report to Service	Denotes next level up in service hierarchy for summarization.

Reason for Policy

- To standardize service usage and understanding across the organization to provide comparable, meaningful information.
- To maintain a consistent hierarchy for actual and budget purposes.
- To increase control of code block elements by ensuring services are not established when data can be captured in existing elements
- To clearly define the joint ownership of services

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on Service?

A. Service information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes a Service hierarchy), Forms (includes the Service request form) and Training Materials sections

Q2. Where can I find the Service request form?

A. The Service request form can be found on iPower (following the above instructions) in the Forms section.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
SS/CC	SS/CC Requester	1. Determines need for new service.
SS/CC	SS/CC Requester	2. Contact financial coordinator to request new service.
SS/CC	SS/CC Financial Coordinator or designee	3. Review request to determine that new service is needed.
SS/CC	SS/CC Financial Coordinator or designee	4. Add, edit or delete service in BDMS.
SS/CC	SS/CC Financial Coordinator or designee	5. Inform requester of new service.
SS/CC	SS/CC Financial Coordinator or designee	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials section

Additional Documents:

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions

F&A Service Set-up

- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting & Analysis
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Responsibility Centers Set Up
- New Account/Sub-Account
- New Corporation Set Up
- Location Set Up
- Line of Business Set Up
- Resource Set Up
- Activity Set Up
- Project Set Up
- Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
John Linton	Coordinator	Corporate Accounting
Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions



F & A Responsibility Center Set-up

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All responsibility centers are to be used consistently across Cinergy Corp. To maintain the integrity of the elements and the associated values, governance standards and restricted access has been implemented. The standards are to be addressed when a responsibility center is to be added, modified or deleted by Financial Coordinators. One hierarchy of responsibility centers will be maintained for both actual and budget.

RESPONSIBILITY CENTER STANDARD	DEFINITION
Responsibility Center	Responsibility center codes are used to capture and manage operating expenses and several other types of costs from both an actual and budget perspective. Usually correspond to a specific functional area of an organization, i.e. engineering, gas operations, etc.
Roll-Up Type	Denotes whether center is for summary or detail.
Short Description	Short title of responsibility center limited to 40 characters.
Long Description	Long title limited to 100 characters.

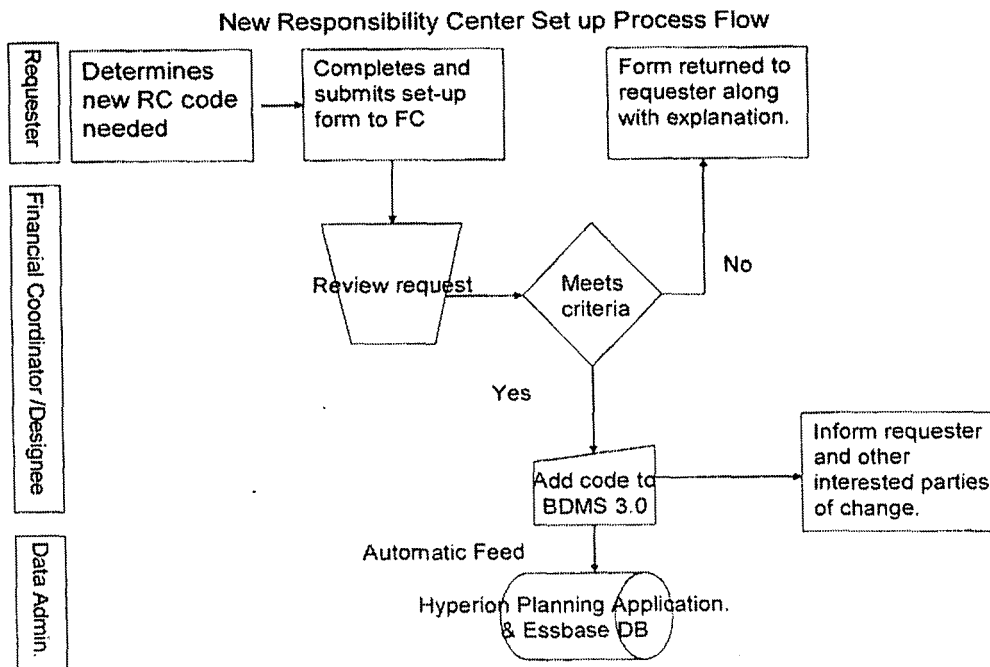
F&A Responsibility Center Set-up

Center Type	Two digit code denoting ownership of the center. Corresponds to business units, shared services and corporate centers.
Report to Center	Denotes next level up in hierarchy of responsibility centers for summarization purposes.
Service Company Function	Three digit code denoting a service company functional area such as call center or fuel.
Pass to HP	Indicator whether center should be passed to Hyperion Planning.
Start Date	Effective date of change.
Stop Date	Date responsibility center no longer needed.

Reason for Policy

- To standardize responsibility center usage across the organization to provide comparable, meaningful information
- To maintain one consistent hierarchy for actual and budget purposes.
- To increase control of code block elements by ensuring responsibility centers are not established when data can be captured in existing elements
- To clearly define ownership of responsibility centers

Process Flows



Frequently Asked Questions

Q1. Where can I find information on Responsibility Centers?

A. Responsibility Center information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes the RC hierarchy), Forms (includes the RC request form) and Training Materials sections

Q2. Where can I find the Responsibility Center request form?

A. The Responsibility Center request form can be found on iPower (following the above instructions) in the Forms section.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for new responsibility center
Any Department	Requester	2. Complete Responsibility Center request form. Send form to financial coordinator.
BU/SS/CC Organization	Financial Coordinator	3. Review request to ensure all necessary attributes are provided and to determine that new responsibility center is needed.
BU/SS/CC Organization	Financial Coordinator	4. Add, edit or delete center in BDMS.
BU/SS/CC Organization	Financial Coordinator	5. Inform requester of new responsibility center.
BU/SS/CC Organization	Financial Coordinator	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials section

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services

- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Line of Business Set Up
- New Account/Sub-Account
- New Corporation Set Up
- Location Set Up
- Service Set Up
- Resource Set Up
- Activity Set Up
- Project Set Up
- Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
Kathy Lilly	Manager	Production Support
Gwen Pate	Manager	General Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

FC - Financial Coordinator

RC - Responsibility Center

Revisions



F & A New Account/Sub Account Set-up

Functional Area: General Accounting
Sarbanes-Oxley Category: General Ledger Accounting
Process Owner: Gwen Pate
Effective Date: 03/01/05
Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All ledger accounts or subledgers for all corporations shall be defined according to a group of account standards. These standards are to be addressed when a new account is set-up by Corporate Accounting.

Accounting Data Setup within BDMS is utilized for tracking adherence to these standards.

The account standards are as follows:

ACCOUNT STANDARD	DEFINITION
Account #	General Ledger Account Number
Sub Account #	General Ledger Sub Account Number
Account Title	Description of Account (a brief description that allows the reader to quickly ascertain the purpose of the account)
Dept. Owner	Department with responsibility for reconciling the account
Individual Owner	Individual department employee with the responsibility for reconciling the account

Last Reconciled Date	Last period for which the account was reconciled (e.g., General Ledger balance was reconciled against the actual balance)
Nature of Account	Does the nature of the account require a high frequency of reconciliation (for example: cash accounts, equity accounts) (Yes/No)
Volume of Transactions	Does a high volume of transactions occur causing the inherent risk to be higher (Yes/No)
Regulatory Impact	Is the account closely monitored by a regulatory agency (Yes/No)
Audit Impact	Is the account closely monitored by the D&T audit team (Yes/No)
Stability	Does the balance of the account vary widely from period to period (Yes/No)
Reconciliation Frequency	Based on the criteria above, should the account be reconciled Monthly (M) or Quarterly (Q)
Review Frequency	Based on the criteria above, should the account reconciliation be reviewed Monthly (M), Quarterly (Q), Semi-Annual (S) or Annual (A)

Reason for Policy

Account standards provide several benefits:

- To delineate account reconciliation duties between the Accounting Department and the Business Units
- To ensure responsibility for accuracy of data within an account is held by those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding all the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on accounts?

A. Account information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes the Account Conversion BDMS 2.0 to 3.0 document), Forms (includes the New Account set up form and the Account Hierarchy) and Training Materials sections

Q2. Where can I find the New Account request form?

A. The New Account request form is attached to this policy in the Training and Documents section and can also be found on iPower (following the above instructions) in the Forms section.

Procedure

Before requesting a new account, answer the following questions:

1. Is there an existing account that fits your need?
2. Can you use another Code Block segment or sub account to track the information that you need along with an existing account? (See Code Block listing under Definitions below)
3. Estimated dollar amount to be recorded in this account.

Requesting a New Account

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines the need for a new account or sub account.
Any Department	Requester	2. Complete the New Account Set-up Form and send it to Corporate Accounting. Contact Corporate Accounting to discuss your need for a new account: <ul style="list-style-type: none"> • Explain your need for the account. • Will an existing account or code block element serve the purpose of the request • If Corporate Accounting denies your new account, they must

		<p>suggest an alternative for your use.</p> <ul style="list-style-type: none"> • If the Requester does not agree with Corporate Accounting's alternative, the Form is forwarded to the Manager of Corporate Accounting who will review the form and schedule a meeting with the Requestor and his/her manager to discuss. • If Corporate Accounting approves your new account request, then proceed.
Any Department	Requester	3. Provide person in-charge of new accounts set-up within Corporate Accounting with a completed New Account Request form.
Corporate Accounting	John Linton Kelly Henson	<p>4. Research new account</p> <ul style="list-style-type: none"> • Discuss issues as needed with manager • Will an existing account serve the purpose of the request • Review for consistency with Chart of Accounts guidelines • Review for consistency with general account structure
Corporate Accounting	John Linton Kelly Henson	5. Perform tasks to set-up the account in all systems (see procedure for New Account Set-up).
Corporate Accounting	John Linton Kelly Henson	6. Inform requesting employee of the new account number and inform department and individual of new account ownership.
Corporate Accounting	John Linton Kelly Henson	7. Inform individuals under "who should know" list of the new account.

Subledgers

The department that owns the Subledger can request new Subledgers Codes. (For example, Treasury Department can request a new debt subledger code, and PTIS can request a new unconsolidated investments subledger code). To set up a new subledger code, please refer to steps 2, 3, 5 and 6.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials section

Additional Documents:



Acct Request
Form.xls

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting

- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Responsibility Centers Set Up
- New Account/Sub-Account
- New Corporation Set Up
- Location Set Up
- Service Set Up
- Resource Set Up
- Activity Set Up
- Project Set Up
- Work Order Set Up
- Reconciliation and Analysis of Accounts

Contacts

NAME	ROLE	DEPARTMENT
Gwen Pate	Manager	Corporate Accounting
Kelly Henson	Lead Analyst	Corporate Accounting
John Linton	Coordinator	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Code Block:

Responsibility Center - A responsibility center code is used to capture and manage operating expenses and several other types of costs from both an actual and budget perspective. Most transactions that go through a feeder system require the use of a responsibility center code. Responsibility centers usually correspond to a specific functional area of an organization, i.e. engineering, gas operations, etc.

Line of Business (LOB) Code - The LOB hierarchy will be used to create the Business Unit structure for financial reporting. The allocable LOB codes will also be used for Service Company (SS and CC) allocations from Corp 500 to the client companies.

Project Code - Project code is used as a tracking mechanism to aggregate all costs associated with Capital type projects prior to placement into service. Project code is also used as a tracking mechanism for non-capital (O&M) projects with both definite and indefinite durations.

Activity Code - Activity code is used to track activities or cost categories that are not identified specifically in an account description. This field is utilized in conjunction with account, center, resource and sometimes project for management analysis and center budgeting and reporting.

Location Code - The location code will be used to capture financial information related to the physical location where work is being performed. This field will only be used to capture actual transactions. It **will not** be available for budget.

Service Code - The service code is used to track services provided to Cinergy organizations by Shared Services and Corporate Center. The services are distinguished as direct or indirect charges. Direct charges are for services specifically requested.

Resource - Identifies the means or sources used to perform tasks or work. This includes labor, materials, overheads, transportation, etc.

Revisions



F & A Activity Set-up

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Activities are to be used consistently across Cinergy Corp. To maintain the integrity of the elements and the associated values, governance standards and restricted access have been implemented. One activity hierarchy is to be maintained with changes agreed upon with all Financial Coordinators. The standards are to be addressed when an activity is to be added, modified or deleted by Corporate Accounting.

ACTIVITY STANDARD	DEFINITION
Activity Code	Activity code represents a task that is performed. It is used to track actions or cost categories that are not identified specifically in an account description. This field is utilized in conjunction with account, center, resource and sometimes project for management analysis and center budgeting and reporting. Activity is a required field for all transactions.
Rollup Type	Denotes whether activity is at detail or summary level.
Short Description	Activity description limited to 40 characters.
Long Description	Activity description limited to 100 characters.
Start Date	Date activity begins.
Stop Date	Date activity no longer required.

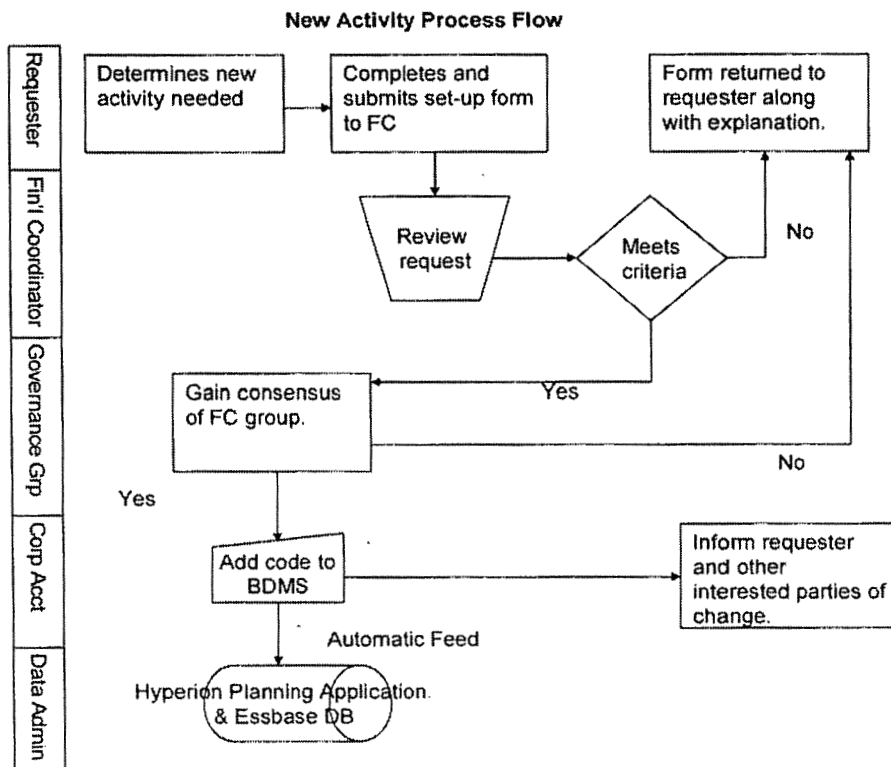
F & A Activity Set-up

ACTIVITY STANDARD	DEFINITION
Report to Activity	Denotes next level up in activity hierarchy for summarization.

Reason for Policy

- To standardize activity usage across the organization to provide comparable, meaningful information
- To maintain a consistent hierarchy for reporting
- To increase control of code block elements by ensuring activities are not established when data can be captured in existing elements or the amount to be tracked is immaterial (less than \$50,000)
- To clearly define ownership of activities

Process Flows



Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on Activity?

A. Activity information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes an Activity hierarchy), Forms (includes the Activity request form) and Training Materials sections

Q2. Where can I find the LOB request form?

A. The Activity request form is attached to this policy in the Training and Documents section and can also be found on iPower (following the above instructions) in the Forms section.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for new activity.
Any Department	Requester	2. Complete New Activity set-up form. Send form to financial coordinator.
BU/SS/CC Organization	Financial Coordinator	3. Review request to ensure all necessary attributes are provided and to determine that new activity is needed.
BU/SS/CC Organization	All Financial Coordinators	4 Review with governance group for consensus that an additional activity is needed.

F & A Activity Set-up

DEPARTMENT	RESPONSIBILITY	ACTION
BU/SS/CC Organization	Financial Coordinator	5. Forward approved activity set-up form to corporate accounting.
Corporate Accounting	Coordinator Data Warehouse	5. Add, edit or delete activity in BDMS.
Corporate Accounting	Coordinator Data Warehouse	6. Inform requester/ financial coordinator of new activity.
Corporate Accounting	Coordinator Data Warehouse	7. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials (includes Corp-LOB job aid) section

Documents:



Activity Request Form.xls

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting

F & A Activity Set-up

- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- F & A Responsibility Centers Set Up
- F & A New Account/Sub-Account
- F & A New Corporation Set Up
- F & A Location Set Up
- F & A Service Set Up
- F & A Resource Set Up
- F & A Line of Business Set Up
- F & A Project Set Up
- F & A Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
John Linton	Coordinator	Corporate Accounting

F & A Activity Set-up

Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions



F&A Line of Business Set-up

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Line of Business (LOB) is to be used consistently across Cinergy Corp. To maintain the integrity of the element and the associated values, governance standards and restricted access have been implemented. The standards are to be addressed when a LOB is to be added, modified or deleted by Cost Accounting. All allocable LOBs are to be developed or reviewed by Cost Accounting to ensure the allocation basis complies with SEC requirements.

Cost Accounting will review the hierarchy periodically.

LINE OF BUSINESS STANDARD	DEFINITION
LOB Code	A clearly defined set of operating costs and revenues as defined by each Business Unit serving as the BU structure for financial reporting. May also represent allocable codes used by Service Company (SS and CC) allocations from Corp 500 to the client companies.
Rollup Type	Denotes whether LOB is detail, allocable or summary type.
Assign Type	Denotes whether LOB is assignable to one corporation or can be allocated across corporations.

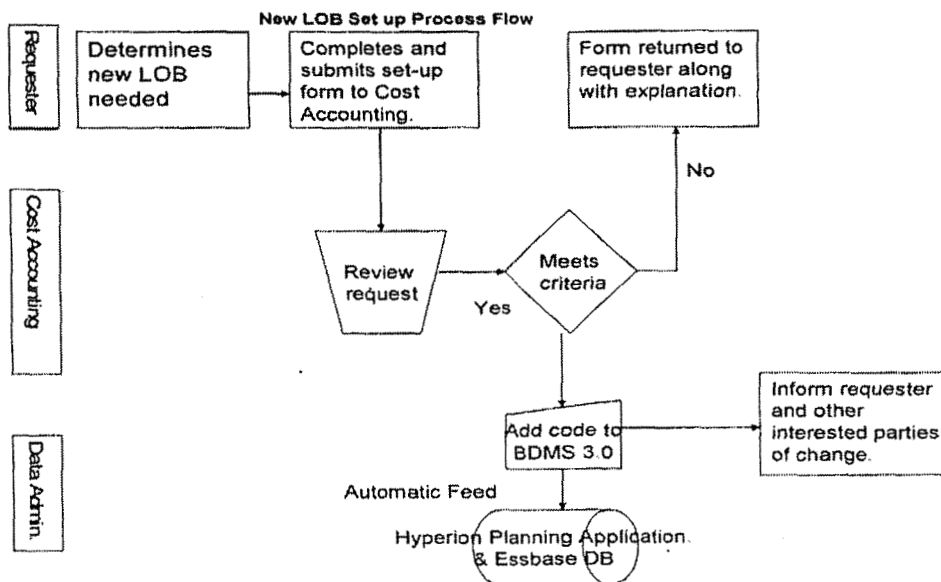
F&A Line of Business Set-up

LINE OF BUSINESS STANDARD	DEFINITION
Tax Category	For tax purposes, indicates whether LOB relates to gas, electric distribution, electric transmission or electric production.
Short Description	LOB description limited to 40 characters.
Long Description	LOB description limited to 100 characters.
Report to LOB	The next level up in the LOB hierarchy for summarization.
Corporation	Required for detail LOB, optional for allocable LOB, and not needed for summary LOB
Start Date	Date LOB begins.
Stop Date	Date LOB no longer required.

Reason for Policy

- To standardize LOB usage and understanding across the organization to provide comparable, meaningful information
- To maintain a consistent hierarchy for actual and budget purposes
- To increase control of code block elements by ensuring LOBs are not established when data can be captured in existing elements
- To clearly define the ownership of LOBs
- To limit the number of alternative reporting rollups
- To ensure that direct LOBs, rather allocable codes, are used when possible

Process Flows



Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on LOBs?

A. LOB information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes an LOB hierarchy with all existing LOBs), Forms (includes the LOB request form) and Training Materials (includes Corp-LOB job aid) sections

Q2. Where can I find the LOB request form?

A. The LOB request form is attached to this policy in the Training and Documents section and can also be found on iPower (following the above instructions) in the Forms section.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for new LOB.
Any Department	Requester	2. Complete new LOB set-up form. Send form to Cost Accounting.
Cost Accounting	Cost Accounting Analyst	3. Review request to determine that new LOB is needed.
Cost Accounting	Cost Accounting Analyst	4. Add, edit or delete LOB in BDMS.
Cost Accounting	Cost Accounting Analyst	5. Inform requester of new LOB.
Cost Accounting	Cost Accounting Analyst	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials (includes Corp-LOB job aid) section

Documents:



Line of Business
Request Form....

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products

F&A Line of Business Set-up

- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- F&A Responsibility Centers Set Up
- F&A New Account/Sub-Account
- F&A New Corporation Set Up
- F&A Location Set Up
- F&A Service Set Up
- F&A Resource Set Up
- F&A Activity Set Up
- F&A Project Set Up
- F&A Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
Amy Dean	Lead Analyst	Cost Accounting
Kathy Lilly	Manager	Production Support
Susie Siefertman	Supervisor	Cost Accounting
Brenda Melendez	Manager	Cost Accounting
Gwen Pate	Manager	General Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System
LOB - Line of Business

Revisions



F & A Location Set-up

Functional Area: General Accounting
Sarbanes-Oxley Category: General Ledger Accounting
Process Owner: Gwen Pate
Effective Date: 03/01/05
Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Location is to be used consistently across Cinergy Corp. To maintain the integrity of the element and the associated values, governance standards and restricted access have been implemented. The standards are to be addressed when a Location is to be added, modified or deleted by Corporate Accounting. One location hierarchy is to be maintained.

LOCATION STANDARD	DEFINITION
Location Code	Location code denotes a physical location where costs are to be tracked. Location is not a required field.
Rollup Type	Denotes whether Location is at detail or summary level.
Description	Location description limited to 40 characters.
Start Date	Date Location begins.
Stop Date	Date Location no longer required.
Report to Location	Denotes next level up in Location hierarchy for summarization.

Reason for Policy

- To standardize Location usage across the organization to provide comparable, meaningful information
- To maintain a consistent hierarchy for reporting
- To increase control of code block elements by ensuring locations are not established for non-location tracking
- To clearly define ownership of location

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on Location?

A. Location information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes Location hierarchy), Forms (includes Location request form) and Training Materials sections

Q2. Where can I find the Location request form?

A. The Location request form is attached to this policy in the Training and Documents section and can also be found on iPower (following the above instructions) in the Forms section.

Procedure

F&A Location Set-up

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for new Location.
Any Department	Requester	2. Complete New Location set-up form. Send form to corporate accounting.
Corporate Accounting	Coordinator Data Warehouse	3. Review request to ensure all necessary attributes are provided and to determine that new location is needed.
Corporate Accounting	Coordinator Data Warehouse	4. Add, edit or delete location in BDMS 3.0.
Corporate Accounting	Coordinator Data Warehouse	5. Inform requester of new Location.
Corporate Accounting	Coordinator Data Warehouse	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials section

Documents:



Location Request
Form.xls

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting

F&A Location Set-up

- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Responsibility Centers Set Up
- Line of Business Set Up
- New Account/Sub-Account
- New Corporation Set Up
- Service Set Up
- Resource Set Up
- Activity Set Up
- Project Set Up
- Work Order Set Up

F&A Location Set-up

Contacts

NAME	ROLE	DEPARTMENT
John Linton	Coordinator	Corporate Accounting
Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions



F & A Project Set-up

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Projects are to be used consistently across Cinergy Corp. To maintain the integrity of the elements and the associated values, governance standards and restricted access have been implemented. The standards are to be addressed when a project is to be added, modified or deleted by Financial Coordinators or their designees. One hierarchy of projects will be maintained for both actual and budget.

Project codes are to be reviewed at least annually to verify the projects remain current. Those projects that have been completed or are no longer valid should be stopped.

The below process information pertains to O&M projects only. As each Business Unit utilizes a different process for new Capital project set-up, software for capital projects and various reviewers and approvers, there is a separate policy for CBU, RBU, and Shared Services/Corporate Center. See applicable business unit policy listed in Related Information section for further guidelines

PROJECT STANDARD	DEFINITION
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F&A Project Set-up

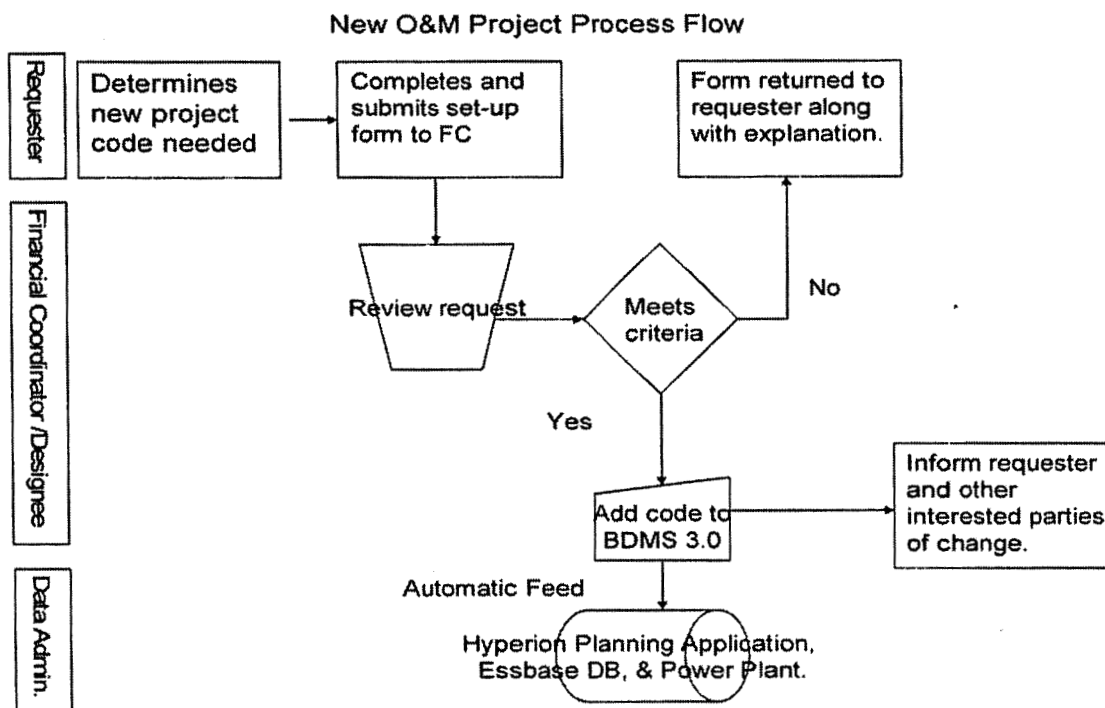
Project Code	Project code is a planned unit of work (a management defined group of related activities). It is used as a tracking mechanism to aggregate all costs associated with Capital type projects prior to placement into service or as a tracking mechanism for non-capital (O&M) projects with both definite and indefinite durations. Most commonly seen as Capital projects. It is required for Capital projects.
Owner Center	Responsibility center of project owner (requester).
Budget Schedule Number	Code
Project Type	Code that indicates the type of Project
Pass to HP	Indicator on whether project should be passed to Hyperion Planning.
Start Date	Date project begins.
Stop Date	Date project activity ends.
Short Description	Project description limited to 40 characters.
Long Description	Project description limited to 100 characters.
Estimated In-service Date (capital only)	Estimated date that project will be completed and placed in-service.
Base Year (capital only)	Year in which project dollars are expressed.
Reimbursement Code (capital only)	The percentage of dollars that is reimbursable.
AFUDC (capital only)	Indicator of whether AFUDC is associated with the project.
Construction Overhead (capital only)	Indicator of whether construction overheads will be applied to the project.
Minor Materials (capital only)	Indicator of whether minor materials will be associated with the project.
Line of Business (capital only)	Business unit hierarchy.

Reason for Policy

- To standardize project usage across the organization to provide comparable, meaningful information
- To maintain a consistent hierarchy for actual and budget purposes
- To increase control of code block elements by ensuring O&M projects are not established when data can be captured in existing elements or the amount to be tracked is immaterial (less than \$50,000)
- To clearly define ownership of projects

Process Flows

F&A Project Set-up



Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on Project?

A. Project information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes a Project hierarchy), Forms (includes the Project request form) and Training Materials sections

Q2. Where can I find the Project request form?

A. The Project request form is attached to this policy in the Training and

Documents section and can also be found on iPower (following the above instructions) in the Forms section.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for project
Any Department	Requester	2. Complete New Project set-up form. Send form to financial coordinator.
BU/SS/CC Organization	Financial Coordinator or Designee	3. Review request to ensure all necessary attributes are provided and to determine that new project is needed.
BU/SS/CC Organization	Financial Coordinator or Designee	4. Add, edit or delete project in BDMS.
BU/SS/CC Organization	Financial Coordinator or Designee	5. Inform requester of new project.
BU/SS/CC Organization	Financial Coordinator or Designee	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials section

Documents:



Project Request Form.xls



2005 Project and Work Order Policy CB

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting
- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Responsibility Centers Set Up

- New Account/Sub-Account
- New Corporation Set Up
- Location Set Up
- Service Set Up
- Resource Set Up
- Activity Set Up
- Line of Business Set Up
- Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
Dave Schaefer	RBU - Capital Projects	RBU
Tom Wagner	RBU - Capital Projects	CBU
Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions



F & A Resource Set-up & Definition

Functional Area: General Accounting
 Sarbanes-Oxley Category: General Ledger Accounting
 Process Owner: Gwen Pate
 Effective Date: 03/01/05
 Revised Date:

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Resource codes are to be used consistently across Cinergy Corp. To maintain the integrity of the element and the associated values, governance standards and restricted access have been implemented. The standards are to be addressed when a resource is to be added, modified or deleted by Corporate Accounting. All additions to the hierarchy must be jointly approved by the Budget & Forecast Administrators and Corporate Accounting.

RESOURCE STANDARD	DEFINITION
Resource Code	Identifies the means or sources used to perform tasks or activities. This includes labor, materials, transportation, contract labor, contract material, other, overhead, and AFUDC, etc. The code is a four digit numeric field.
Rollup Type	Denotes whether resource is at detail or summary level.
Short Description	Resource description limited to 40 characters.
Long Description	Resource description limited to 100 characters.
Start Date	Date resource begins.
Stop Date	Date resource no longer required.
Report to Resource	Denotes next level up in resource hierarchy for summarization.

Reason for Policy

- To standardize resource usage across the organization to provide comparable, meaningful information
- To maintain a consistent hierarchy for actual and budget purposes
- To increase control of code block elements by ensuring resources are not established when data can be captured in existing elements
- To clearly define the joint ownership of resources

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. Where can I find information on Resource?

A. Resource information can be found on the Finance and Accounting community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Reference Documents (includes a Resource hierarchy), Forms and Training Materials sections

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department	Requester	1. Determines need for new resource.
Any Department	Requester	2. Contact Corporate Accounting to request a new resource.

F&A Resource Set-up & Definition

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Coordinator Data Warehouse	3. Review request with Budget & Forecast Administrator to determine that new resource is needed.
Corporate Accounting	Coordinator Data Warehouse	4. Add, edit or delete resource in BDMS.
Corporate Accounting	Coordinator Data Warehouse	5. Inform requester of new resource.
Corporate Accounting	Coordinator Data Warehouse	6. Inform individuals under "Who Should Know" of the change.

Training and Documents

Training:

See training materials on the Finance and Accounting Community of iPower as follows:

- Launch iPower
- Select "Finance and Accounting" under the Communities heading at the top of the page
- Select the Accounting page
- See the Training Materials (includes Corp-LOB job aid) section

Additional Documents:

Who Should Know

- Accounts Payable
- Accounting Research
- Benefits Accounting
- Billing Services
- Business Venture Accounting
- Cinergy Solutions
- Claims
- Commercial Gas Accounting (Houston)
- Commercial Power Accounting
- Corporate Cash Management
- Cost Accounting
- External Reporting

F&A Resource Set-up & Definition

- Fixed Asset Accounting
- Fuel & Joint Owner Accounting
- General Accounting
- Global Risk Management
- Human Resources
- International
- Inventory Services
- IT
- Management Reporting
- Miscellaneous Accounts Receivable
- Oak and Pine Mountain Products
- Payroll Accounting
- Rates
- Regulated Business Accounting
- RBU Financial Operations
- Shareholder Services
- Tax
- Transportation Services
- Treasury
- Vestar

Related Information

See the following related policies on the Accounting Policies and Procedures Community:

- Responsibility Centers Set Up
- New Account/Sub-Account
- New Corporation Set Up
- Location Set Up
- Service Set Up
- Line of Business Set Up
- Activity Set Up
- Project Set Up
- Work Order Set Up

Contacts

NAME	ROLE	DEPARTMENT
John Linton	Coordinator	Corporate Accounting

F&A Resource Set-up & Definition

Gwen Pate	Manager	Corporate Accounting
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions



Materials Management - Material Adjustments

Functional Area: Inventory Services
Sarbanes-Oxley Category: Inventory
Process Owner: Mike Snyder
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Materials Group will record all transactions related to the Materials Adjustments as it relates to Material Management.

Reason for Policy

To record Inventory Services activity in the Company financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)
 Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Brenda Melendez	1. Capture material reconciliation and classify it in the Reconciliation Report. Distribute to Materials Accounting. <i>Note: this process should be complete by the third week of the current month, <u>EOW</u>.</i>

Identify error(s) in Source Documents and pushback for correction (CoA.3)
 Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Corporate Accounting Analyst	1. Review and correct source documents prior to distribution to Materials Accounting.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Compute adjustment amount by matching SDR (Salvage Disposal Request) with number on Reconciliation Report. <i>Note: this process should be complete by Day 2, <u>EOD</u>.</i>
Materials Accounting	Melanie Jones	2. Extract computations and enter into the JE Tool. <i>Note: this process should be complete by Day 2, <u>EOD</u>.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
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Materials Accounting	Melanie Jones	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. <i>Note: this process should be complete by DAY 2, EOD.</i>
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Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Correct data entry errors in Passport. <i>Note: this process should be complete before month end</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Approve journal entries for posting.
Corporate Accounting	BDMS/Coordinator	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by DAY 2, EOD.</i>

Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. No accruals or reserves are booked related to material adjustment.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Asst. Controllers
- Corporate Accounting
- Inventory Services

- Fixed Asset Accounting

Related Information

Materials Management - Inventory Data from Passport Policy

Materials Management - Reconciliation & Analysis Policy

Contacts

Name	Role	Dept
Melanie Jones	Materials Accounting	Materials Accounting
Ben Smith	RBBU	RBBU Accounting
Mike Snyder	Inventory Services	Inventory Services
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOW - End of Week

EOD - End of Day

Revisions

The following revisions are effective 09/01/01:

- Update procedure for department name change
- Renumber procedure from 7.2.1.2 to 7.2.1.1

The following revisions are effective 08/01/02:

- Update procedure for timing process
- Update procedure for personnel change

The following revision is effective 11/01/03:

- Update procedure for personnel change

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Materials Management Reconciliation & Analysis

Functional Area: Inventory Services
Sarbanes-Oxley Category: Inventory
Process Owner: Mike Snyder
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy.

Reason for Policy

- To ensure responsibility for accuracy of data within an account will shift to those closest to the transaction
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Inventory Services	Melanie Jones	<i>Note: The following process is performed monthly to reconcile all Inventory Services accounts:</i>
Inventory Services	Melanie Jones	1. Obtain supporting schedules, which contain detail account balances for account 154.
Inventory Services	Melanie Jones	2. Verify the GL balance (FRT) to the supporting schedule balances.
Inventory Services	Melanie Jones	3. Investigate balance differences and misposted transactions as necessary.
Inventory Services	Melanie Jones	4. Create correcting adjustments, as necessary.
Inventory Services	Melanie Jones	5. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Inventory Services	Melanie Jones	1. Transaction analysis should remain the responsibility of the user/ department responsible for the activity.

Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Inventory Services	Melanie Jones	1. Provide monthly analysis and sufficient explanation to Corporate Accounting as to the inputs to the cost pool accounts.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Inventory Services	Melanie Jones	1. Provide monthly analysis and sufficient explanation to Corporate Accounting as to the inputs to the cost pool accounts.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Asst. Controllers
- Corporate Accounting
- Inventory Services

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Inventory Services - Material Adjustments Policy

Inventory Services - Inventory Data from PassPort Policy

Contacts

Melanie Jones	Materials Accounting	Inventory Services
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 09/01/01:

- Update policy for department name change
- Renumber policy from 7.2.1.4 to 7.2.1.3

No revisions were made upon review on 08/01/02

No revisions were made upon review on 11/01/03

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Relocation Billing

Functional Area: Regulated Business Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed
Process Owner: ~~Ben Flora~~ Assets
Effective Date: 05/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Regulated Business Accounting will prepare miscellaneous accounts receivable invoices for the relocation or installation of Company gas and/or electric facilities at the request of a customer.

Reason for Policy

To ensure that the Company is in compliance with applicable regulatory requirements to ensure that the Company is properly reimbursed for costs incurred to relocate facilities.

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What information is required in order to prepare relocation billings?

A. The following information is required:

1. An estimate of the work order.
2. A detailed summary of charges for each work order and/or work code charged during the performance of the project.

RBBU Financial Operations is responsible for obtaining this information.

Q2. How are relocation billings prepared?

A. Relocation billings are prepared by running an ABC Total Management Report, which is backed up by supporting documentation.

Q3. What kinds of jobs require billing?

A. Billings are required for the adjustment, movement or rearrangement of existing Company owned utility facilities or the installation of new utility facilities at the request of a customer.

Q4. What is the basis for the billing of jobs?

A. Actual cost. These projects involve the replacement or rearrangement of utility facilities. An estimate of the cost of the project is presented to the customer prior to work commencing. The customer agrees to pay the actual cost of the work performed by the Company. No maximum billable amount is established.

At PSI, flat billings are prepared at the field locations.

Procedure

Receive Input Data

DEPARTMENT	RESPONSIBILITY	ACTION
Various	Various groups	1. Review completed reimbursement work orders.
RBBU Financial Operations	RBBU Staff	2. Generate computer listings detailing charges to applicable work

		orders and/or work codes.
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Prepare Documentation

DEPARTMENT	RESPONSIBILITY	ACTION
RBBU Financial Operations	RBBU Staff	1. Prepare billing information containing customer name, customer address, location, description and cost of project, applicable accounting entries.
RBBU	RBBU	2. Distribute to Accounts Receivable

Training and Documents

Training:

- Roscoe Mainframe Application. - Contact the Cinergy Technology Education Center (TEC@cinergy.com)

Additional Documents:

- Policy and Procedure Memorandum 30-4 "Utility Relocations and Adjustments" - Prepared by The U.S. Department of Transportation, Federal Highway Administration. (<http://www.fhwa.dot.gov>)

Who Should Know

- Controller
- Assistant Controllers
- RBBU Financial Operations
- Miscellaneous Accounts Receivable
- Gas Department
- Electric Transmission Department
- Electric Distribution Department
- Planning Department
- Corporate Accounting
- District Offices

Related Information

Work Order Accounting Policy

Accounts Receivable Invoice Preparation

Contacts

NAME	ROLE	DEPARTMENT
Ben Smith	Sr. Analyst	RBBU
Ben Flora	Manager	RBBU
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Relocation: the adjustment, movement or rearrangement of existing Company utility facilities. This term shall also mean constructing a replacement facility functionally equal to the existing facility.

Installation: the construction of new gas or electric facilities not including betterments to the facilities.

Betterment: any upgrading to a Company facility being relocated made solely for the benefit of and at the election of the Company.

Reimbursement: Customer will make payments to the Company for relocation or installation work performed by the Company at the request of the customer.

Revisions

The following revisions are effective 11/01/03:

- Update procedure for process changes
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Transportation - Reconciliation & Analysis

Functional Area: Transportation Services
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Dan Fleck
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy.

Reason for Policy

- To ensure that responsibility for accuracy of data within an account is held by those closest to the transaction
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Provide RBBU Financial Operations information, as necessary, to support transaction activity in the cost pool accounts.
Transportation Services	Tom Rasp	2. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp Dan Fleck	1. Utilize PBR tool to analyze the Cost Pool by comparing \$ transactions, actual to budget, planning, and error detection.
Transportation Services	Tom Rasp Dan Fleck	2. Review Loading information such as actual to budget (e.g., charges in vs. allocations out compared to budget).
Transportation Services	Tom Rasp Dan Fleck	3. Perform a utilization review of vehicles.
		<i>Note: user departments are responsible for transaction analysis, as they utilize and report vehicle usage.</i>

Transportation - Reconciliation & Analysis

Transportation Services	Tom Rasp Dan Fleck	4. Determine if what was charged to the cost pool accounts is correct by reviewing the charges.
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Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Provide monthly analysis and sufficient explanation to Cost Accounting as to the inputs to the cost pool accounts.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Provide monthly analysis and sufficient explanation to Cost Accounting as to the inputs to the cost pool accounts.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Transportation Services

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Transportation - Journal Entries Policy

Contacts

Name	Role	Dept
Tom Rasp	Transportation	Trans. Svc.
Dan Fleck	Transportation	Trans. Svc.
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 09/01/99:

- Update process for Account Reconciliation Database in PBR

The following revision is effective 06/01/00:

- Update for personnel changes

The following revision is effective 09/20/01:

- Update for department name change

The following revision is effective 08/01/02:

- Update for personnel changes

The policy was reviewed and no revisions were needed 10/01/03.

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Transportation - Journal Entries

Functional Area: Transportation Services
Sarbanes-Oxley Category: Capital Expenditures and Fixed
Process Owner: ~~DAVE~~ Heck
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Transportation Services Department will record all transactions relating to vehicle usage.

Reason for Policy

To record vehicle activity in the Company financial statements in adherence to GAAP

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)

Classify transactions for journalizing (CoA.2)

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Payroll & Benefits Accounting	Payroll & Benefits Accounting Staff	1. Capture vehicle usage activity and classify into LDCS based upon accounting info on time reports. This covers activity for all employees except Exempts. <i>Note: this process should be completed daily.</i>
Payroll & Benefits Accounting	Payroll & Benefits Accounting	2. Generate auto feed from LDCS to VHS system to record current month activity. <i>Note: this must be complete by Day 2, MOD.</i>
Transportation Services	Tom Rasp	3. Capture current month vehicle usage activity for Predefined areas and classify into the Vehicle System (VHS) based upon the system defaults. Cutoff occurs on Day 1, EOD. <i>Note: this must be complete by Day 2, MOD.</i>
Transportation Services	Tom Rasp	4. Capture current month vehicle usage activity for Exempt employees and classify into the Vehicle System (VHS) based upon accounting info on time reports. Cutoff occurs on Day 1, EOD. <i>Note: this must be complete by Day 2, MOD.</i>
Transportation Services	Tom Rasp	5. Key punch previous month correcting entries into the Vehicle System (VHS). <i>Note: this must be complete by Day 2, MOD.</i>

Identify error(s) in Source Documents and pushback for correction (CoA.3)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Review the error list created during month end processing of VHS for LDCS and Predefined activity. Document errors for correction. <i>Note:</i>

		<i>this must be complete by Day 2, EOD.</i>
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Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Contact Originator of charge where necessary to obtain correct accounting info and enter updates into VHS system. <i>Note: this must be complete by Day 2, EOD.</i>

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Create auto feed to BDMS from VHS system. <i>Note: this process should be complete by Day 2, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	BDMS Coordinator	1. Process BDMS posting in forecast mode to identify errors in auto feed journal entries. The resulting error list is to be distributed to Transportation Services. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Correct errors in VHS and re-process auto feed to BDMS. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation Services	Tom Rasp	1. Approve journal entries for posting.
Corporate Accounting	BDMS Coordinator	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by DAY 2,</i>

		EOD.
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Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	No accruals or reserves are booked for Transportation.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Payroll & Benefits Accounting
- Transportation Services

Related Information

Transportation - Reconciliation & Analysis Policy

Contacts

Name	Role	Dept
Tom Rasp	Transportation	Transportation
Benita Ross	Corporate Accounting	Corporate Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 06/01/00:

- Update policy for personnel change

The following revision is effective 09/20/01:

- Update policy for personnel change

The following revision is effective 08/01/02:

- Update policy for personnel change

The following revision is effective 10/01/03:

- Update policy for department name change

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Materials Management - Inventory Data from Passport

Functional Area: Inventory Services
Sarbanes-Oxley Category: Inventory
Process Owner: Mike Snyder
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Materials Group will record all transactions related to the Inventory data from Passport as it relates to Inventory Services.

Reason for Policy

To record Inventory Services activity in the Company financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)
 Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Originating Organization	Originating Organization	1. Capture inventory transactions (purchases, returns, etc.) and classify into the Passport system. Month end cutoff occurs on the last day of the month. <i>Note: this process should be completed daily.</i>

Identify error(s) in Source Documents and pushback for correction (CoA.3)

DEPARTMENT	RESPONSIBILITY	ACTION
Originating Organization	Originating Organization	1. Validate data as it is entered via the automatic validation on Passport. If an error exists, the operator is notified via an error message on the screen. <i>Note: this process should be completed daily.</i>

Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Originating Organization	Originating Organization	1. Correct data entry errors. <i>Note: this process should be completed daily.</i>

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Run distribution program in the Passport System to create auto feed to BDMS 2.0. <i>Note: this process should be completed weekly - month end, overnight.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Verify the auto feed control report. <i>Note: this process should be completed weekly - month end.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Correct errors and re-process the auto feed. <i>Note: this process should be complete by Day 1, EOD.</i>

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Materials Accounting	Melanie Jones	1. Approve journal entries for posting.
Corporate Accounting	BDMS/Coordinator	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. No accruals or reserves are booked related to PSI Materials Sales Tax.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller

- Asst. Controllers
- Corporate Accounting
- Materials Accounting
- Fixed Asset Accounting

Related Information

Inventory Services - Material Adjustments Policy

Inventory Services - Reconciliation & Analysis Policy

Contacts

Name	Role	Dept
Melanie Jones	Materials Accounting	Materials Accounting
Ben Smith	RBBU	RBBU Accounting
Mike Snyder	Manager	Inventory Services
Ben Flora	Manager	RBBU
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD - End of Day

Revisions

The following revisions are effective 09/01/01:

- Update policy for department name change
- Renumber policy from 7.2.1.3 to 7.2.1.2

The following revisions are effective 08/01/02:

- Update policy for personnel and department name change
- Update policy for timing process change

The following revision is effective 11/01/03:

- Update procedure for personnel change

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Gas Fuel Clause - Amortization of Gas Refund & Balance Adjustments

Functional Area: Rates
Sarbanes-Oxley Category: Regulation
Process Owner: Don Wathen
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Rates Department will record all transactions related to the Amortization of Gas Refund and Balance Adjustments of the Gas Fuel Clause.

Reason for Policy

To record Gas Fuel Clause activity in the Company Financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)

DEPARTMENT	RESPONSIBILITY	ACTION
RBU Financial Operations	Joyce Wimmers	1. Capture and classify the Interdepartmental Use and Dick's Creek Use Report. Distribute report to Bob Butts. <i>Note: Distribute via mail by Day 3, MOD.</i>
Rates	Bob Butts	2. Pick up Revenue report printed from Bundle from the computer room. <i>Note: This is to be in the computer room by Day 3, MOD.</i>
Rates	Bob Butts	3. Generate the Transportation report printout from the ROSCOE mainframe system.

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Collect and enter all information during the closing process. If information is not available, make estimates.

Identify error(s) in source documents and pushback for correction (CoA.3)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Match the Dick's Creek report to the Special Ledger report. If there is an error, notify Sandy Rosing or Joyce Wimmers through a phone call. <i>Note: Identify error by Day 3, MOD.</i>
Rates	Bob Butts	2. Verify the Transportation report from the Special Ledger with revenue report from the bundle, self-created transportation report and Dick's

		Creek use report. If there is an error, notify Sandy Rosing through a phone call.
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Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Customer Relations RBU Financial Operations	Sandy Rosing Joyce Wimmers	1. Receive correction requests from Bob Butts and make necessary corrections. The corrected journal entry is supplied to the next month's close.

Extract data for processing (CoA.1)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Enter data from Interdepartmental use and Dick's Creek use Report into the Excel Spreadsheet - GCR 20XX.
Rates	Bob Butts	2. Identify MCF usage for different rates from the Revenue Report and enter into the Excel Spreadsheet - GCR 20XX.
Rates	Bob Butts	3. Identify MCF associated with customer choice from the Transportation report from mainframe and enter into the Excel spreadsheet - GCR 20XX.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Enter the data from the prepared Excel Spreadsheets - GCR 20XX - into the Journal Entry Tool, producing an amortization of gas refund and balance adjustments journal entry. <i>Note: Prepare by Day 4, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Verify journal entry detail workpapers against the entered

	journal entries.
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Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. If errors are identified, mark up the journal entry and what is to be corrected. Corrections will occur through adjustments supplied for the next month's closing. Notify Phyllis Baker of the error.

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Parsons Ted Czupik	1. Approve the journal entries for posting. <i>Note: Approve entries by Day 4, EOD.</i>
Corporate Accounting	BDMS Coordinator / John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 4, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller

- Assistant Controllers
- Corporate Accounting
- Gas Supply
- Gas Resources
- Customer Relations
- Rates

Related Information

Gas Fuel Clause - Gas Cost Deferral

Gas Fuel Clause - Amortization of Gas Deferral

Gas Fuel Clause - Amortization of Percentage of Income Plan

Gas Fuel Clause - Reconciliation & Analysis

Contacts

Name	Role	Dept
Bob Butts	Rates	Rates
Sandy Rosing	Customer Relations	Customer Relations
Bob Parsons	Rates	Rates
Ted Czupik	Rates	Rates
Phyllis Baker	Gas Resources	Gas Resources
Cathy Knecht	Gas Supply	Gas Supply
Joyce Wimmers	RBU Fin. Ops.	RBU Fin. Ops.
Don Wathen	Manager	Rates
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

MOD - Middle of Day

EOD - End of Day

Revisions

The following revision is effective 10/01/00:

- Update procedure for personnel changes

The following revisions are effective 11/01/01:

- Update procedure for personnel changes
- Renumber policy from 7.4.5.7 to 7.4.5.4

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update procedure for timing changes

The following revisions are effective 11/01/03:

- Update procedure for personnel change
- Update procedure for timing changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Gas Fuel Clause - Amortization of Gas Deferral

Functional Area: Rates
Sarbanes-Oxley Category: Regulation
Process Owner: Don Wathen
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Rates Department will record all transactions related to the Amortization of Gas Deferral of the Gas Fuel Clause.

Reason for Policy

To record Gas Fuel Clause activity in the Company Financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)

DEPARTMENT	RESPONSIBILITY	ACTION
RBU Financial Operations	Joyce Wimmers	1. Capture and classify the Interdepartmental Use and Dick's Creek Use Report. Distribute report to Bob Butts. <i>Note: Distribute via mail by Day 3, MOD.</i>
Customer Relations	Sandy Rosing	2. Generate the Transportation Report from Special Ledger to Bob Butts. <i>Note: Distribute via e-mail by Day 3, MOD.</i>
Rates	Bob Butts	3. Pick up Revenue report from the computer room. <i>Note: This is to be in the computer room by Day 3, MOD.</i>
Rates	Bob Butts	4. Generate the Transportation report printout from the ROSCOE mainframe system.

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Collect and enter all information during the closing process. If information is not available, make estimates.

Identify error(s) in source documents and pushback for correction (CoA.3)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Match the Dick's Creek report to the Special Ledger report. If there is

Gas Fuel Clause – Amortization of Gas Deferral

		an error, notify Sandy Rosing or Joyce Wimmers through a phone call. <i>Note: Identify error by Day 3, MOD.</i>
Rates	Bob Butts	2. Verify the Transportation report from the Special Ledger with revenue report from the bundle, self-created transportation report and Dick's Creek use report. If there is an error, notify Sandy Rosing through a phone call.

Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Customer Relations RBU Financial Operations	Sandy Rosing Joyce Wimmers	1. Receive correction requests from Bob Butts and make necessary corrections. The corrected journal entry is supplied to the next month's close.

Extract data for processing (CoA.1)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Enter the numbers from the Interdepartmental Use, Dick's Creek use into the Excel Spreadsheet - GCR 20XX.
Rates	Bob Butts	2. Break down companies that have different rates from the Transportation report from Special Ledger and enter into the Excel Spreadsheet - GCR 20XX.
Rates	Bob Butts	3. Calculate customer jurisdictional cost MCF sales and amortization from the Revenue report and enter into the Excel Spreadsheet - GCR 20XX.
Rates	Bob Butts	4. Enter the computations from the Transportation report from mainframe into the Excel spreadsheet - GCR 20XX.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Enter the data from the prepared

		Excel Spreadsheets - GCR 20XX - into the Journal Entry Tool, producing monthly amortization of deferrals. <i>Note: Prepare journal entries by Day 4, EOD.</i>
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Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Verify journal entry detail workpapers against the entered journal entries.

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. If errors are identified, mark up the journal entry and what is to be corrected. Corrections will occur through adjustments supplied for the next month's closing. Notify Phyllis Baker of the error.

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Parsons Ted Czupik	1. Approve the journal entries for posting. <i>Note: Approve entries Day 4, EOD.</i>
Corporate Accounting	BDMS Coordinator / John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 4, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Gas Supply
- Gas and Resources
- Customer Relations
- RBU Financial Operations
- Rates

Related Information

Gas Fuel Clause - Gas Cost Deferral

Gas Fuel Clause - Amortization of Percentage of Income Plan

Gas Fuel Clause - Amortization of Gas Refund & Balance Adjustments

Gas Fuel Clause - Reconciliation & Analysis

Contacts

Name	Role	Dept
Bob Butts	Rates	Rates
Sandy Rosing	Customer Relations	Customer Relations
Bob Parsons	Rates	Rates
Ted Czapik	Rates	Rates
Phyllis Baker	Gas Resources	Gas Resources
Cathy Knecht	Gas Supply	Gas Supply
Joyce Wimmers	RBU Fin. Ops.	RBU Fin. Ops.
Don Wathen	Manager	Rates

Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

MOD - Middle of Day

EOD - End of Day

Revisions

The following revision is effective 10/01/00:

- Update procedure for personnel changes

The following revisions are effective 11/01/01:

- Update procedure for personnel changes
- Update procedure for title change
- Policy renumbered from 7.4.5.3 to 7.4.5.2

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update procedure for timing change

The following revisions are effective 11/01/03:

- Update procedure for personnel change
- Update procedure for timing changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Gas Fuel Clause - Gas Cost Deferral

Functional Area: Rates
Sarbanes-Oxley Category: Regulation
Process Owner: Don Wathen
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Rates Department will record all transactions related to the Gas Cost Deferral of the Gas Fuel Clause.

Reason for Policy

To record Gas Fuel Clause activity in the Company Financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)

DEPARTMENT	RESPONSIBILITY	ACTION
Gas Supply	Cathy Knecht	1. Capture and classify Monthly Gas Purchases into a report and distribute to Bob Butts. <i>Note: Distribute via hand delivery by Day 3, MOD.</i>
Gas Supply	Cathy Knecht	2. Capture and classify the Gas Purchases Adjustments into a report and distribute to Bob Butts. <i>Note: Distribute via hand delivery by Day 1, MOD.</i>
Gas Resources	Phyllis Baker	3. Capture and classify the Propane Usage into a report and distribute to Bob Butts. <i>Note: Distribute via mail by Day 3, MOD.</i>
Gas Resources	Phyllis Baker	4. Capture and classify the Gas Cost Credit/Firm Transportation Credit into a report and distribute to Bob Butts. <i>Note: Distribute via e-mail by EOD 15 of the current month.</i>
Gas Resources	Phyllis Baker	5. Capture and classify the Gas Sold to Re-Marketers into a letter and distribute to Bob Butts. <i>Note: Distribute via mail during the 1st and 3rd week of the month.</i>
RBU	Joyce Wimmers	6. Capture and classify the Interdepartmental Use and Dick's Creek Use Report. Distribute reports to Bob Butts. <i>Note: Distribute via mail by Day 3, MOD.</i>
Rates	Bob Butts	7. Pick up Revenue report from the computer room. <i>Note: This is to be in the computer room by Day 3, MOD.</i>
Rates	Bob Butts	8. Retrieve the Gas Losses information from the previous month's General Ledger.

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Collect and enter all information during the closing process. If information is not available, make estimates.

Identify error(s) in source documents and pushback for correction (CoA.3)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Review the gas purchases and adjustments reports for storage numbers in the expense total. <i>Note: Identify error by Day 2, EOD.</i>
Rates	Bob Butts	2. Check the propane usage report for the reasonableness of the conversion. If there is an error, notify Phyllis Baker through a phone call. <i>Note: Identify error by the Day 3, EOD.</i>
Rates	Bob Butts	3. Match the rates on the Revenue Report with the previous month's rates. Also match with the Special Ledger Transportation Report. If there is an error, notify Sandy Rosing or Joyce Wimmers through a phone call. <i>Note: Identify error by Day 3, MOD.</i>
Rates	Bob Butts	4. Match the Dick's Creek report to the Special Ledger report. If there is an error, notify Sandy Rosing or Joyce Wimmers through a phone call. <i>Note: Identify error by Day 3, MOD.</i>

Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Gas Supply Customer Relations Gas Resources	Cathy Knecht Sandy Rosing Phyllis Baker	1. Receive correction requests from Bob Butts and make necessary corrections. The corrected journal entry is supplied to the next month's close.

Extract data for processing (CoA.1)

DEPARTMENT	RESPONSIBILITY	ACTION
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Rates	Bob Butts	1. Enter the expense totals (dollars and MCF's) from the Monthly Gas Purchases report and Gas Purchases Adjustments report into an Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	2. Multiply the usage from the Propane Usage Report by the average rate per gallon and enter the results into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	3. Enter the grand total from the Gas Sold to Re-Marketers letters into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	4. Enter the totals from the Gas Cost Credit/FT (Firm Transportation) Credit report into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	5. Enter jurisdictional MCF sales from the Revenue Report into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	6. Enter needed information from the Interdepartmental Use report, Dick's Creek Use report with data from the revenue report into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	7. Enter Damaged Lines Gas losses from the general ledger into the Excel Spreadsheet - 20XX Deferrals.
Rates	Bob Butts	8. Multiply the MCF received from the revenue report with the rate and enter Contract Commitment Cost into the Excel Spreadsheet - 20XX Deferrals.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Enter the data from the prepared Excel Spreadsheets - 20XX Deferrals into the Journal Entry Tool, producing a gas cost deferral journal entry. <i>Note: Prepare journal entry by Day 4, EOD.</i>

Identify errors in prepared journal entries (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
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Rates	Bob Butts	1. Verify journal entry detail workpapers against the entered journal entries.
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Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. If errors are identified, mark up the journal entry and what is to be corrected. Corrections will occur through adjustments supplied for the next month's closing.

Post journal entries to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Parsons Ted Czupik	1. Approve the journal entries for posting. <i>Note: Approve entries by Day 4, EOD.</i>
Corporate Accounting	BDMS Coordinator / John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 4, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Gas Supply
- Gas Resources
- Customer Relations
- Rates

Related Information

Gas Fuel Clause - Amortization of Gas Deferral

Gas Fuel Clause - Amortization of Percentage of Income Plan

Gas Fuel Clause - Amortization of Gas Refund & Balance Adjustments

Gas Fuel Clause - Reconciliation & Analysis

Contacts

Name	Role	Dept
Bob Butts	Rates	Rates
Sandy Rosing	Customer Relations	Customer Relations
Bob Parsons	Rates	Rates
Ted Czupik	Rates	Rates
Phyllis Baker	Gas Resources	Gas Resources
Cathy Knecht	Gas Supply	Gas Supply
Joyce Wimmers	RBU Fin. Ops.	RBU Fin. Ops.
Don Wathen	Manager	Rates
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

MOD - Middle of Day

EOD - End of Day

Revisions

The following revisions are effective 10/01/00:

- Update procedure for process changes
- Update procedure for personnel changes

The following revisions are effective 11/01/01:

- Update procedure for process changes
- Update procedure for personnel changes

The following revisions are effective 11/01/02:

- Update procedure for timing changes
- Update procedure for personnel changes

The following revisions are effective 11/01/03:

- Update procedure for timing changes
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Gas Fuel Clause Reconciliation & Analysis

Functional Area: Rates
Sarbanes-Oxley Category: Regulation
Process Owner: Don Wathen
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in Reconciliation & Analysis of Accounts. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in New Account Set-up & Definition (Account Standards).

Reason for Policy

- To shift responsibility for accuracy of data within an account to those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
		<i>Note: The following process is performed monthly to reconcile all fuel clause gas accounts:</i>
Rates	Bob Butts	1. Prepare supporting schedules (Excel spreadsheets) which contain detail account balances for accounts 191400, 253130, 253180 for gas. These schedules are utilized in the monthly journal entry preparation process.
Rates	Bob Butts	2. Make a copy of the appropriate GL accounts from PBR.
Rates	Bob Butts	3. Verify GL balance to supporting schedule balance.
Rates	Bob Butts	4. Compare and validate the transactions in the GL to those in the supporting schedules.
Rates	Bob Butts	5. Investigate balance differences and misposted transactions as necessary.
Rates	Bob Butts	6. Make the appropriate correcting adjustments (if any) with the following month's entries.
Rates	Bob Butts	7. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

Gas Fuel Clause - Reconciliation & Analysis

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Perform all transaction analysis for reasonableness, monthly, using the information that is tracked in the Excel spreadsheets. This analysis does not include formal month to month or year to year comparisons.

Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit with the exception of minimum analysis required to support Legal Entity analysis. The extent of Legal Entity analysis will be determined on a case by case basis, as required.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Rates	Bob Butts	1. Obtain detailed revenue reports monthly from the CSS system.
Rates	Bob Butts	2. Compare the detail on the revenue reports with the gas revenue and gas statistics on the financial statements.
Rates	Bob Butts	3. Contact Sandy Rosing or Eileen Wahlbrink in Customer Relations if there is a material discrepancy.

Training and Documents

Training:

Additional Documents:

Who Should Know

Gas Fuel Clause - Reconciliation & Analysis

- Controller
- Assistant Controllers
- Corporate Accounting
- Rates
- Customer Relations

Related Information

New Account Set-up & Definition (Account Standards)

Reconciliation & Analysis of Accounts

Gas Fuel Clause - Gas Cost Deferral

Gas Fuel Clause - Amortization of Deferral

Gas Fuel Clause - Amortization of Percentage of Income Plan

Gas Fuel Clause - Amortization of Gas Refund & Balance Adjustments

Contacts

Name	Role	Dept
Bob Butts	Rates	Rates
Sandy Rosing	Customer Relations	Customer Relations
Eileen Wahlbrink	Customer Relations	Customer Relations
Don Wathen	Manager	Rates
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 09/01/99:

- Update process for Account Reconciliation Database in PBR

The following revision is effective 10/01/00:

- Update procedure for process changes

The following revisions are effective 11/01/01:

- Update policy for elimination of the electric procedure
- Renumber policy from 7.4.5.8 to 7.4.5.5

The following revision is effective 11/01/02:

- Update procedure for personnel change

The following revisions are effective 11/01/03

- Update procedure for elimination of accounts that have been stopped and closed
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Service Company Accounting

Functional Area: Management Reporting & Cost Accounting
Sarbanes-Oxley Category: Capital Expenditures & Fixed Assets
Process Owner: Barry Blackwell
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Cinergy Services, Inc. (Service Company) will utilize the Legal Entity Allocator Field in the Code Block of accounting records to assign Service Company incurred costs to the appropriate client companies.

Reason for Policy

To ensure costs incurred by the Service Company are properly assigned to client companies per the Service Agreement signed by the Service Company and the client companies and filed with the Securities and Exchange Commission and the states' utility regulatory commissions

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is a Service Company?

A. Service Company is a separate legal entity formed under the rules and regulations of the SEC pursuant to The Public Utility Holding Company Act of 1935.

Q2. Why is a Service Company formed?

A. Service Company exists to provide certain functions and activities that are defined in a Service Agreement between the Service Company and the companies it serves (Client Companies). The Service Agreement is filed with the SEC.

Q3. What costs should the Service Company incur as costs to be assigned (billed) to its client companies?

A. The Service Company's labor costs and employee/departmental expenses should be recorded as Service Company costs and assigned to client companies.

Q4. Are all costs initiated or incurred by Service Company employees to be recorded as Service Company costs and assigned to client companies?

A. No. The Service Company employees, in most instances, are contracting for materials, services, or equipment on behalf of an individual client company. The costs of the contracted materials, services, or equipment are to be purchased by and paid for by the individual client companies. The Service Company should not purchase material, services, or equipment that will be used by a client company.

Q5. Are there any costs that should remain with the Service Company?

A. Yes but these types of costs are very specific and the approval of the Comptroller is required to incur and record costs that will remain with the Service Company.

Q6. How do I assign costs from the Service Company to the client companies?

Service Company Accounting

A. The Cinergy accounting system has been designed to use a field in the accounting record of the Service Company named the Legal Entity Allocator to assign costs to the client companies.

Q7. What services can Cinergy Services, Inc. provide to its client companies?

A. The services that can be provided are outlined in the Utility Service Agreement and the Non-utility Service Agreement.

Q8. Where can I find a copy of the Service Agreements?

A. The Service Agreements can be found in the Training and Documents section below.

Q9. Who should I contact with questions regarding Cinergy Services, Inc. accounting or if I need a new Legal Entity Allocator?

A. Contact Scott Field at 838-1701.

Q10. Where do I find a list of Legal Entity Allocators to be used to assign costs to the client companies and to what companies they assign costs?

A. A list of the Legal Entity Allocators is contained online in the BDMS 2.0 GEN_COSTASSIGN table. The companies to which each Legal Entity Allocator assigns cost are contained in this table.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
All Service Company Departments	Originator of Charge	1. Determine if costs are Service Company or Client Company Costs
All Service Company Departments	Originator of Charge	2. Pay Client Company Costs on the Client Company (Pay Corp other than 500)
All Service Company Departments	Originator of Charge	3. Pay Service Company Costs on the Service Company (Pay Corp 500)
All Service Company Departments	Originator of Charge	4. Assign Service Company Costs using correct Legal Entity Allocator.

Training and Documents

Training:

Additional Documents:

- Service Agreements
 - Services Agreement
 - Non-Utility Service Agreement
 - Utility Service Agreement
- BDMS 2.0 Resource Guide
- Affiliate Cost Allocation Training (Service Company Training materials)

Who Should Know

- Controller
- Asst. Controllers
- Corporate Accounting
- Management Reporting & Cost Accounting
- Tax
- Fixed Asset Accounting
- Business Units' and Corporate Center Accounting and Financial Staffs

Related Information

Policy Service Company Account 921

Contacts

Name	Role	Dept
Scott Field	Supervisor	External Reporting
Barry Blackwell	Director	Management Reporting & Cost Acctg.
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Service Agreement - A document signed by a Service Company and companies it will be providing services to (client companies). This document defines the types of services to be performed, the cost determination for services and how cost will be distributed (assigned) among the client companies. This document is filed with and must be approved by the SEC.

Client companies - Usually affiliated companies of a Service Company whose relationship is established or created under a merger of two or more previously independent companies. Client companies are parties to a service agreement, which defines the types of services to be received and the bases for cost determination and billing of services.

Cost - Management Reporting & Cost Accounting

SEC - Securities and Exchange Commission

Revisions

The following revisions are effective 06/01/00:

- Update for changes in department names and personnel changes
- Add Service Company Training materials to Training and Documents

The following revision is effective 01/01/02:

- Update policy for personnel changes

The following revision is effective 11/01/03:

- Update policy for personnel changes
- Add Revised Service Company Training materials to Training and Documents
- Add Service Agreements to Training and Documents

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Service Company Account 921

Functional Area: Management Reporting & Cost Acctg.
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Barry Blackwell
Effective Date: 11/22/99
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Cinergy Services, Inc. (Service Company) will follow the Securities and Exchange Commission's Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies for recording costs in Account 921 - Office Supplies and Expenses.

Reason for Policy

To ensure costs incurred by the Service Company are properly recorded and classified in accordance with the Securities and Exchange Commission's accounting requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What costs should be recorded in Account 921 – Office Supplies and Expenses?

A. The SEC's Uniform System of Accounts contains the following definition of costs to be included in Account 921 - Office Supplies and Expenses: This account shall include office supplies and expenses incurred in connection with the general administration of service company operations assignable to specific administrative or general departments and not specifically provided for in other accounts. This includes the expenses of the various administrative and general departments and the salaries and wages of which are includable in account 920.

Q2. What types of expenditures should be included in Account 921?

A. Expenditures such as employee expenses, office supplies, communication service expenses, printing, postage and subscriptions to newspapers or other periodicals are types of charges that should be included in Account 921. Expenditures such as employee expenses, office supplies, communication service expenses, printing, postage and subscriptions to newspapers or other periodicals are types of charges that should be included in Account 921.

Q3. What are examples of items that should not be included in the Service Company's Account 921?

A. Expenditures made for outside consultants, advertising or corporate dues should not be recorded in Account 921. Also, if costs are being incurred for a specific client company then these costs should be charged directly to that client company in accordance with the Service Company Accounting Policy. Expenditures made for outside consultants, advertising or corporate dues should not be recorded in Account 921. Also, if costs are being incurred for a specific client company then these costs should be charged directly to that client company in accordance with the Service Company Accounting Policy.

Q4. Whom should I contact if I need clarification regarding charges to Account 921?

A. Contact either Scott Field of External Reporting at 838-1701 or Barry Blackwell of Management Reporting and Cost Accounting at 838-6993 for assistance.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
All Service Company Departments	Originator of Charge	1. Determine if costs are properly includable in Account 921.

Training and Documents

Training:

- Affiliate Cost Allocation Training (Service Company Training materials)

Additional Documents:

- The Securities and Exchange Commission Uniform System of Accounts for Mutual Service Companies and Subsidiary Service Companies

Who Should Know

- Controller
- Asst. Controllers
- Corporate Accounting
- Tax
- Management Reporting & Cost Accounting
- Business Units' Accounting and Financial Staffs

Related Information

Service Company Accounting Policy

Contacts

Name	Role	Dept
Scott Field	Supervisor	External Reporting
Barry Blackwell	Director	Management Reporting & Cost Acctg.
Erica Glenn	Senior Analyst	Accounting Research

Amy Sheppard	Manager	Accounting Research
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Definitions

Revisions

The following revisions are effective 06/01/00:

- Add Service Company training materials to training documents
- Update for changes in department names

The following revision is effective 01/01/02:

- Update for personnel and department name changes

The following revision is effective 11/01/03:

- Update for personnel and department name changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



New Corporation Set-up - Service Company

Functional Area: Management Reporting & Cost
Accounting

Sarbanes-Oxley Category: High Level Controls

Process Owner: Barry Blackwell

Effective Date: 09/01/98

Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All proposed and accepted new Cinergy corporations shall follow the following prescribed procedure to ensure a successful foundation to record business transactions and comply with all regulatory bodies.

Reason for Policy

To provide guidance in the creation and set-up of new Cinergy corporations thus ensuring a thorough and successful foundation for the corporation to start from

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. Where do I find allocation codes we should use for this company?

A. The allocation codes are maintained in the BDMS 2.0 tables.

Q2. Who can inform me whether this company has or will have a bank account to make payments?

A. Treasury establishes the bank accounts and will be able to assist you in this area.

Q3. Who can inform me whether this company has or will have a direct pay permit for sales tax?

A. The Tax Department can advise you whether the new company will have a direct pay permit.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	John Linton	1. Verify that the new corporation is established by Corporate Accounting on BDMS 2.0 Corp Table.
Corporate Accounting	John Linton	2. Verify with Legal - George Dwight - that new corporation is a party of the Service Agreement(s).
Corporate Accounting	John Linton	3. Verify that the allocation code can be used for Cost Assignment which has been created in BDMS2.0
Corporate Accounting	John Linton	4. Add cost assignment factors to the appropriate allocation codes in BDMS 2.0

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Accounting Research & Reporting
- Tax
- Fixed Asset Accounting
- Management Reporting & Cost Accounting
- Payroll & Benefits Accounting
- Accounts Payable
- Misc. Accounts Receivable
- Business Unit Accounting Managers
- Budgets and Forecasts
- Treasury

Related Information

New Corporation Set-up Policy

Contacts

Name	Role	Dept
John Linton	Facilitator	Corporate Accounting
Barry Blackwell	Director	Cost
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 06/01/00:

- Update for changes in department names and personnel changes

The following revision is effective 01/01/02:

- Update for personnel changes

The following revision is effective 11/01/03:

- Update for department name changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Meter & Transformer Installation Costs

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Peggy Laub
Effective Date: 12/01/00
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Fixed Assets Department will record all transactions relating to meter and transformer installation costs.

Reason for Policy

To record fixed asset activity in the Company financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Meter & Transformer Installation Costs

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)
 Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Assets	Joe Roetting Dave Scherrer	1. Run an Ad-hoc query out of FRT to obtain quantity and dollar amount of gas meters purchased. <i>Note: this process should be complete by noon on Day 2.</i>
Fixed Assets	Joe Roetting Dave Scherrer	2. Run an Ad-hoc query out of FRT to obtain quantity and dollar amount of electric meters purchased. <i>Note: this process should be complete by Day 2, MOD.</i>

Identify error(s) in Source Documents and push back for correction (CoA.3)
 Correct error(s) in Source Documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
ED Capital Projects	Originating Person	1. Review and correct source documents upon data entry.

Prepare journal entries (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Assets	Joe Roetting Dave Scherrer	1. Use information collected from the FRT query to calculate the installation costs of gas meters and house regulators. Journalize the capitalization of these costs for CG&E, ULH&P and LG. Enter information into JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>
Fixed Assets	Joe Roetting Dave Scherrer	2. Use information collected from the FRT query to calculate the installation

		costs of electric meters and line distribution transformers. Journalize the capitalization of these costs for CG&E, ULH&P and PSI. Enter information into the JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>
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Identify errors in prepared journal entries. (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Assets	Joe Roetting Dave Scherrer	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries. (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Assets	Joe Roetting Dave Scherrer	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0. (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Assets	Joe Roetting Dave Scherrer	1. Approve journal entries for posting.
Corporate Accounting	BDMS Coordinator / John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- RBU Capital Projects
- Fixed Asset Accounting

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Peggy Laub	Manager	Fixed Asset Accounting
Dave Scherrer	Asst. Accountant	Fixed Asset Accounting
Joe Roetting	Sr. Acctg. Clerk	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD - End of Day

MOD - Middle of Day

Revisions

The following revisions are effective 02/01/02:

- Update procedure to remove references to SF&H which are now systemically handled
- Update procedure for change in responsible department and personnel

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update procedure for timing changes

The following revisions are effective 01/01/04:

- Update procedure to reflect accelerated closing schedule
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

CINERGY

CD/CCD Capital Billing

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Jointly Owned Plants
Process Owner: Peggy Laub
Effective Date: 07/01/04
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Monthly bills shall be sent to Columbus Southern Power Company and Dayton Power & Light Company for their share of capital expenditures incurred by CG&E for work done on jointly owned properties.

Reason for Policy

To ensure that CG&E is properly reimbursed for costs incurred for capital improvements on jointly owned facilities

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is a jointly owned facility?

A. It is one or more units of an electric generating station owned jointly by two or more companies. According to an agreement between the companies, each company owns a certain percentage of the facility, and the corresponding percentage of expenses is paid by each joint owner.

Q2. What CG&E facilities are jointly owned?

A. The CG&E jointly owned production facilities are: Beckjord Unit 6, East Bend Station, Miami Fort Units 7 & 8, and Zimmer Station.

The Transmission facilities are: Bulk 345kv Transmission, Miami Fort Substation, Todhunter Substation, and Zimmer Substation.

Q3. What are the respective ownership percentages for each jointly owned facility?

A. The ownership percentages are as follows:

<u>Facility</u>	<u>CG&E</u>	<u>CSP</u>	<u>DP&L</u>
Beckjord Unit 6	37.5%	12.5%	50.0%
East Bend	69.0%	0.0%	31.0%
Miami Fort 7&8	64.0%	0.0%	36.0%
Zimmer	46.5%	25.4%	28.1%
Bulk 345kv	30.0%	35.0%	35.0%
Miami Fort Sub	50.0%	0.0%	50.0%
Todhunter Sub	55.0%	0.0%	45.0%
Zimmer Sub	33.33%	33.33%	33.33%
Zimmer Sub (old)	28.0%	36.0%	36.0%

Q4. Why is CG&E responsible for the billing related to these jointly owned facilities?

A. Our company built and maintains these facilities; therefore we bill the partners for their share of the costs.

Q5. What types of costs are billed to the joint owners? Who determines what amounts will be billed and what amounts will be paid 100% by CG&E?

A. All labor, materials, and associated overhead charges pertaining to the building of or replacing equipment are billed, except AFUDC and Post-Retirement Benefits.

Whether the partners will be billed is determined by the business unit setting up the work order for the project.

Q6. If/when the ownership percentages of a particular facility change, how are these communicated to Fixed Asset Accounting?

A. A change in the ownership percentages has not happened for several years, but if such a change were to occur the Manager - Fixed Asset Accounting, would be one of the first individuals to know.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions (CoA.2)
- Identify error(s) and pushback for correction (CoA.3)
- Correct error(s) (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	David Scherrer	<p>1. On the 3rd or 4th workday of each month, the following reports are run out of the Project Management Module of Power Plant by FAA:</p> <ul style="list-style-type: none"> • Project 5001 (Additions) • Project 5002 (Retirements) <p>The reports detail work orders by Work Order Type with separate reports run for each type. Information presented for each work order includes:</p> <ul style="list-style-type: none"> • Description • Utility account that charges

CD / CCD Capital Billing

		<p>are to be closed to when the work order is unitized (i.e., completed)</p> <ul style="list-style-type: none"> • Estimated total cost of project • Status of work order (open, in-service, completed) • In-service date, if applicable • Expenditures for current month, year to date, and since inception • Non-billable ("Non Cash") portion of current month expenditures • Joint owners' portions of current month expenditures
Fixed Asset Accounting Bulk Transmission Planning Zimmer Support	Dave Scherrer Ron Snead Pam Bond	2. Provide copies of reports to Bulk Transmission Planning and Zimmer Support for their records.
Fixed Asset Accounting	Dave Scherrer	3. Prepare Excel spreadsheet comparing current month's bill to previous month's bill and investigate large fluctuations, consulting CBU's Project Control Group as necessary.
Fixed Asset Accounting	Peggy Laub	4. Review spreadsheet for reasonableness.
Fixed Asset Accounting	Dave Scherrer	5. Mail Project 5001 and Project 5002 reports to joint owners and forward amounts to be billed to Fuel and Joint Owner Accounting.
Fuel and Joint Owner Accounting	Lashyia Porter	6. Net amounts due from joint owners (as received from Fixed Asset Accounting) against amounts owed to joint owners for use of their capital.
Fuel and Joint Owner Accounting	Lashyia Porter	7. Prepare Invoice Prep Forms to send to A/R (if netting results in a net receivable balance) or Requests For Payment (if netting results in net payable balance) and forward to A/R or A/P as appropriate.
Accounts Receivable	Mitch Martin	8a. Prepare invoices and route back to Fuel and Joint Owner Accounting, typically within one to two days of receiving Prep Forms.
Accounts Payable	Accounts Payable Clerk	8b. Process RFPs for payment.
Fuel and Joint Owner Accounting	Lashyia Porter	9. Mail invoices to joint owners.

Training and Documents

Training:

Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting
- Bulk Transmission Planning
- Zimmer Support
- Accounts Receivable

Related Information

Property, Plant & Equipment Policy

Contacts

Name	Role	Dept
Dave Scherrer	Accountant	Fixed Asset Accounting
Peggy Laub	Manager	Fixed Asset Accounting
Mitch Martin	Supervisor	Miscellaneous Accounts Receivable
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

CSP - Columbus Southern Power

DP&L - Dayton Power and Light

CG&E - Cincinnati Gas & Electric



CCD Operating Capital Reconciliation & Analysis

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Jointly Owned Plants
Process Owner: Peggy Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy.

Reason for Policy

- To ensure that responsibility for accuracy of data within an account is held by those closest to the transaction
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Dave Scherrer Peggy Laub	1. Fixed Asset Accounting is responsible for monthly reconciliation of the following CCD accounts: 143650 and 143660.
Fixed Asset Accounting	Sharon Hall	2. Generate GL balance reports from FRT.
Fixed Asset Accounting	Sharon Hall	3. Obtain current month activity from FRT for above accounts 143650 and 143660. Review current month activity. Investigate any abnormalities.
Fixed Asset Accounting	Peggy Laub	4. Review the Account Balance Reconciliation Report and assign staff to perform detailed investigations to explain differences as necessary.
Fixed Asset Accounting	Sharon Hall	5. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Perform a reasonableness test on the Account Balance Reconciliation Report to identify trends or material variances.

CCD Operating Capital - Reconciliation & Analysis

Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit with the exception of minimum analysis required to support Legal Entity analysis. The extent of Legal Entity analysis will be determined on a case by case basis, as required.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting
- JO - CCD
- External Reporting

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

CCD Operating Capital Actual Expenditures Policy

CCD Non-Operating Capital Facility Transactions Policy

Contacts

NAME	ROLE	DEPARTMENT
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CCD Operating Capital - Reconciliation & Analysis

Dave Scherrer	Fixed Asset Accounting	Fixed Asset Accounting
Peggy Laub	Manager	Fixed Asset Accounting
Sharon Hall	Fixed Asset Accounting	Fixed Asset Accounting
Jim Dean	Coordinator	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 06/01/99:

- Change department name to Fixed Asset Accounting
- Update "Responsibility" column for personnel changes
- Update list of accounts reconciled monthly

The following revision is effective 09/01/99:

- Update process for Account Reconciliation Database in PBR

The following revision is effective 11/01/00:

- Update procedure for personnel changes

The following revisions are effective 11/01/01:

- Update procedure for personnel changes
- Renumbered policy from 7.3.1.3 to 7.3.1.2

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update procedure for account information

The following revisions are effective 01/01/04:

- Update procedure for personnel changes
- Update procedure to reflect only the CCD accounts

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Property, Plant & Equipment

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Peggy Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Fixed Asset Accounting Department will record all transactions relating to Property, Plant & Equipment including retirements, additions, transfers, depreciation expense and reserve for Cinergy's regulated utility companies (e.g., CG&E, PSI, ULH&P) and for some non-regulated companies (e.g., Brownsville, Caledonia Cinergy Services).

Reason for Policy

To record Fixed Asset Accounting activity in the Company financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Property, Plant & Equipment

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions (CoA.1)
 Classify transactions for journalizing (CoA.2)
 Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean Kim Adams	1. Receive notice from John Linton that file from BDMS to Power Plant is available. <i>Note: This process should be completed before noon, Day 3.</i>
Fixed Asset Accounting	Jim Dean Kim Adams	2. Execute upload of BDMS File in Power Plant.
Fixed Asset Accounting	Jim Dean Kim Adams	3. Execute BDMS (FRT) report of data file received from John Linton.
Fixed Asset Accounting	Jim Dean Kim Adams	4. Verify BDMS file and Power Plant file are equal. Reconcile and correct any errors.
Fixed Asset Accounting	Jim Dean Kim Adams	5. Execute Power Plant Closing Process which includes: <ul style="list-style-type: none"> • Calculation of Depreciation • Calculation of AFUDC/Interest Capitalized • Calculation of Overheads • Calculations of Joint Ownership Billings • Process Unitization and Retirement • Process 107 to 106 Work Orders • Closing of Month • Closing of CPR • Preparation of Journal Entries

Property, Plant & Equipment

		<ul style="list-style-type: none"> • Preparation of BU File • Preparation of AFUDC/Interest Capitalized and Overhead file • Set up new month <p><i>Note: This process should be completed by Day 3, EOD.</i></p>
Fixed Asset Accounting	Jim Dean Kim Adams	6. Verify Journal Entries created. <i>Note: This process should be completed by Day 3, EOD.</i>
Fixed Asset Accounting	Jim Dean Kim Adams	7. Send file of Journal Entries to Corporate Accounting. <i>Note: This process should be completed by noon, Day 4.</i>
Fixed Asset Accounting	Jim Dean Kim Adams	8. Send file for BDMS Work Order Allocation of AFUDC/Interest Capitalized and Overheads to Corporate Accounting.
Fixed Asset Accounting	Jim Dean Kim Adams	9. Send file for Business Unit Financials to Corporate Accounting. <i>Note: This process should be completed by noon, Day 4.</i>
Fixed Asset Accounting	Jim Dean Kim Adams	10. Run report to identify work codes that need to be established in BDMS to accept system generated entries. <i>Note: This process should be completed by noon, Day 4.</i>
Fixed Asset Accounting	Jim Dean Dave Scherrer	11. Set up required work codes in BDMS. <i>Note: This process should be completed by noon, Day 4.</i>
Fixed Asset Accounting	Jim Dean Dave Scherrer	12. Redo steps 10 and 11 until all work codes are established and verified. <i>Note: This process should be completed by noon, Day 4.</i>

Identify error(s) in source documents and push back for correction (CoA.3)
 Correct error(s) in source documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. Error identification and corrections are included in the above procedures.

Prepare journal entries (CoA.6)

Property, Plant & Equipment

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean Mark Knue	1. Prepare any adjusting Journal Entries as may be required and enter into BDMS. <i>Note: This process should be completed by noon, Day 4.</i>

Identify errors in prepared journal entries. (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean Kim Adams	1. Verify Journal Entries. <i>Note: this process should be complete by day required by closing schedule.</i>

Correct errors in prepared journal entries (CoA.7b)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean Kim Adams	1. Correct errors and reprocess Journal Entries. <i>Note: this process should be complete by day required by closing schedule.</i>

Post journal entries to BDMS 2.0. (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean Kim Adams	1. Approve journal entries.
Corporate Accounting	BDMS Coordinator/ John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by day required by closing schedule.</i>

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves are included in the above procedures.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting

Related Information

Construction Overhead Transfers Policy

Fixed Asset Accounting - Reconciliation & Analysis Policy

Contacts

NAME	ROLE	DEPARTMENT
Peggy Laub	Fixed Asset Accounting	Fixed Asset Accounting
Dave Scherrer	Asst. Accountant	Fixed Asset Accounting
Kim Adams	Fixed Asset Accounting	Fixed Asset Accounting
Jim Dean	Fixed Asset Accounting	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Power Plant - PC based system used to maintain Cinergy's Utility Fixed Assets, including Book Original Cost, Book Depreciation Expense, and the Book Reserve for Depreciation.

EOD - End of Day

GAAP - Generally Accepted Accounting Principles

Revisions

The following revisions are effective 06/01/99:

- Change department name to Fixed Asset Accounting
- Update "Responsibility" column for personnel changes

The following revisions are effective 12/01/00:

- Update procedure for process changes due to consolidation of Plant systems
- Update procedure for personnel changes

The following revision is effective 11/01/01:

- Update procedure for personnel changes

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update Policy Statement to include non-regulated companies

The following revision is effective 01/01/04:

- Update procedure to reflect accelerated closing schedule

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Construction Overhead Transfers

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Peggy Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Cinergy Fixed Asset Accounting Department (FAA) will record all transactions relating to residual construction overhead transfers.

Reason for Policy

To record Fixed Asset Accounting activity in the Company financial statements in adherence to GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Capture information on business transactions. (CoA.1)

Classify transactions for journalizing. (CoA.2)

Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Operating Department	Originating Person	1. Notify FAA of work orders to be cancelled and transfer all direct charges.
Fixed Asset Accounting	Originating Person	2. Capture transfer of residual construction overhead data and AFUDC/Interest Capitalized. Transfer AFUDC/Interest Capitalized in Power Plant. Transfer construction overheads through JE Tool. <i>Note: this process should be complete by Day 2, MOD.</i>

Identify error(s) in source documents and push back for correction (CoA.3)

Correct error(s) in source documents (CoA.4)

Prepare journal entries. (CoA.6)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Dave Scherrer	1. Extract transfer of construction overhead data from Power Plant and enter into the JE Tool (creating FA147). <i>Note: this process should be complete by Day 2, EOD.</i>

Identify errors in prepared journal entries. (CoA.7a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jaime Reynolds	1. Verify a copy of the journal entry against the source document to ensure data entry accuracy. <i>Note: this process should be complete by Day 2, EOD.</i>

Correct errors in prepared journal entries. (CoA.7b)

Construction Overhead Transfers

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Dave Scherrer	1. Correct data entry errors in JE Tool. <i>Note: this process should be complete by Day 2, EOD.</i>

Post journal entries to BDMS 2.0. (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jaime Reynolds	1. Approve journal entries for posting.
Corporate Accounting	BDMS Coordinator/ John Linton	2. BDMS will post all journal entries approved for posting. <i>Note: this process should be complete by Day 2, EOD.</i>
Fixed Asset Accounting	Jaime Reynolds	3. Review work order in Power Plant to assure charges transferred. Complete after closing.

Create and post accruals (CoA.10)

Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals and reserves are included in the above procedures

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting

Related Information

Construction Overhead Transfers

Property, Plant, & Equipment Policy

Fixed Asset Accounting - Reconciliation & Analysis Policy

Contacts

Name	Role	Dept
Peggy Laub	Manager	Fixed Asset Accounting
Dave Scherrer	Asst. Accountant	Fixed Asset Accounting
Jaime Reynolds	Senior Analyst	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

Power Plant - PC based system used to maintain Cinergy's Utility Fixed Assets, including Book Original Cost, Book Depreciation Expense, and the Book Reserve for Depreciation.

EOD - End of Day

MOD - Middle of Day

Revisions

The following revisions are effective 06/01/99:

- Change department name to Fixed Asset Accounting
- Update "Responsibility" column for personnel changes

The following revisions are effective 12/01/00:

- Update procedure for personnel and department responsibility changes
- Update procedure for process changes due to implementation of PowerPlant

The following revision is effective 11/01/01:

- Update procedure for personnel and process changes

The following revision is effective 11/01/02:

- Update procedure for personnel changes

The following revision is effective 01/01/04:

- Update procedure to reflect accelerated closing schedule

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



CCD Operating Capital - Actual Expenditures

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Jointly Owned Plants
Process Owner: Peggy Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

The Commercial Business Unit will record all transactions relating to the current month actual expenditures for Operating Capital.

Reason for Policy

To record operating capital activity in the Company financial statements in adherence to GAAP and regulatory requirements

Process Flows

Process Description/Narrative

CCD Operating Capital - Actual Expenditures

Frequently Asked Questions

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions for journalizing (CoA.2)
- Cutoff transactions (CoA.5)

DEPARTMENT	RESPONSIBILITY	ACTION
Fuel & Joint Owner Accounting	Cathy Spaulding - PSI Lashya Porter - CG&E	1. Capture the current month actual expenditures in BDMS based upon work orders. Month end cutoff is performed by the originating organization of labor, material, and overhead data. <i>Note: this process should be complete by Day 2, MOD.</i>

- Identify error(s) in Source Documents and pushback for correction (CoA.3)
- Correct error(s) in Source Documents (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Originating Organization	Originating Organization	1. Errors are found and corrected prior to distribution to Fixed Asset Accounting.

- Prepare journal entries. (CoA.6)
- (Prepare Construction Expenditure Reports for DP&L and CSP)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Dave Scherrer	1. Generate Actual Expenditure Reports from Power Plant with breakdown by Station and construction/retirement. <i>Note: this process is to be complete by Day 15, EOD.</i>

- Correct errors in prepared journal entries (CoA.7b)
- (Construction Expenditure Reports)

DEPARTMENT	RESPONSIBILITY	ACTION
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CCD Operating Capital - Actual Expenditures

Fixed Asset Accounting	Dave Scherrer	1. Forward reports to DPL & CSP.
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Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting

Related Information

CCD Operating Capital Reconciliation & Analysis Policy

Contacts

NAME	ROLE	DEPARTMENT
Dave Scherrer	Fixed Asset Accounting	Fixed Asset Accounting
Peggy Laub	Manager	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

EOD - End of Day

MOD - Middle of Day

Revisions

The following revisions are effective 06/01/99:

- Update "Responsibility" column for personnel changes
- Change department name to Fixed Asset Accounting

The following revision is effective 11/01/00:

- Update procedure for personnel changes

The following revisions are effective 11/01/01:

- Update procedure for process changes
- Renumbered procedure from 7.3.1.2 to 7.3.1.1

The following revisions are effective 11/01/02:

- Update procedure for process changes
- Update procedure for personnel changes

The following revisions are effective 01/01/04:

- Update procedure for process changes
- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Fixed Asset Accounting Reconciliation & Analysis

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed
Process Owner: ~~Assets~~ Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy.

Reason for Policy

- To shift responsibility for accuracy of data within an account to those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jaimie Reynolds Jim Dean	1. Fixed Asset Accounting is responsible for monthly reconciliation of the following accounts: 101, 102, 105, 106, 107, 108, 111, 121, 122, 135320, 135330, 154410, 18110 ⁽¹⁾ , 182021 thru 182136 ⁽²⁾ , 182210(1), 182670 ⁽¹⁾ , 182680 ⁽¹⁾ , 182870 ⁽¹⁾ , 182880 ⁽¹⁾ , 186270, 232320, 232330, 242050, 242060, 242130, 242140, 242150, 242550, 242650, 242720, 242730, 242740, 242750. ⁽¹⁾ PSI only ⁽²⁾ CG&E only
Fixed Asset Accounting	Jim Dean	2. Obtain GL balances from FRT.
Fixed Asset Accounting	Mark Knue	3. Obtain plant balances from Power Plant (Accounts 101 - 122).
Fixed Asset Accounting	Mark Knue	4. Enter GL balances and Plant system balances into an Excel spreadsheet - Summary of Account Balance Reconciliation by company. This spreadsheet calculates all balance variances (Accounts 101 - 122).
Fixed Asset Accounting	Sharon Hall	5. Obtain current month activity from FRT for above accounts 135 - 242. Review current month activity. Investigate any abnormalities.
Fixed Asset Accounting	Peggy Laub	6. Review the Account Balance Reconciliation Report and assign staff to perform detailed investigations to

Fixed Asset Accounting Reconciliation & Analysis

		explain differences as necessary.
Fixed Asset Accounting	Sharon Hall Joe Roetting	7. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform analysis of transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Perform a reasonableness test on the Account Balance Reconciliation Report to identify trends or material variances.

Perform analysis of financial statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit with the exception of minimum analysis required to support Legal Entity analysis. The extent of Legal Entity analysis will be determined on a case by case basis, as required.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Review the financial statement on a monthly basis for the following items: 1) Utility Plant in Service, 2) Reserve for Depreciation and 3) Depreciation Expense.
Fixed Asset Accounting	Peggy Laub	2. Provide explanations for items as necessary for the quarterly 10-Q to External Reporting.

Training and Documents

Training:

Fixed Asset Accounting Reconciliation & Analysis

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting
- External Reporting

Related Information

Property, Plant & Equipment Policy

Construction Overhead Transfers Policy

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Contacts

NAME	ROLE	DEPARTMENT
Jaime Reynolds	Fixed Asset	Fixed Asset Accounting
Peggy Laub	Manager	Fixed Asset Accounting
Mark Knue	Fixed Asset	Fixed Asset Accounting
Sharon Hall	Fixed Asset	Fixed Asset Accounting
Jim Dean	Supervisor	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

Fixed Asset Accounting Reconciliation & Analysis

The following revisions are effective 06/01/99:

- Change department name to Fixed Asset Accounting
- Update "Responsibility" column for personnel changes
- Update list of accounts reconciled monthly

The following revision is effective 09/01/99:

- Update process for Account Reconciliation Database in PBR

The following revision is effective 11/01/00:

- Update procedure for personnel changes

The following revision is effective 11/01/01:

- Update procedure for personnel and process changes

The following revisions are effective 11/01/02:

- Update procedure for personnel changes
- Update procedure for account changes

The following revision is effective 01/01/04:

- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Capital vs. Expense Accounting

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures & Fixed Assets
Process Owner: Peggy Laub
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

Cinergy will consistently account for costs associated with its Fixed Asset properties.

Reason for Policy

To ensure that the corporation is in compliance with applicable GAAP and Regulatory Requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What are Retirement Units and Minor Items of property?

A. All property is considered as consisting of Retirement Units and Minor Items of property. Retirement Units are as defined in Cinergy Plant Account Manuals (also referred to as Property Unit Catalogs). Minor Items of property are components of Retirement Units. A group of Minor items, when assembled together, make a Retirement Unit

Q2. What is the proper accounting for Additions, Retirements and Replacements of Retirement Units?

A. The proper accounting is as follows:

1. For an addition (new or replacement) of any Retirement Unit, the cost must be capitalized (charged to a Work Order).
2. For a retirement of any Retirement Unit on a regulated company's books, the Original Cost on Fixed Asset Accounting's books plus any associated Cost of Removal and/or Salvage must be charged to a Work Order. For non-regulated companies, the cost of removal should be expensed.

Q3. What is the proper accounting for Additions, Retirements and Replacements of Minor Items of property?

A. The proper accounting is as follows:

1. For an addition of a Minor Item of property which did not previously exist:
 - a. If the cost is of substantial value, the cost should be capitalized (charged to a Work Order)
 - b. If the cost is not of substantial value, the cost should be charged to the appropriate maintenance expense account.
2. For a retirement of a Minor Item of property which is not replaced:
 - a. If the item is of substantial value, the Original Cost should be retired, plus associated Cost of Removal and/or Salvage should be charged and/or credited to a Retirement Work Order.
 - b. If the item is not of substantial value, the item would be included with the retirement of the Retirement Unit when it is retired. Cost of

Capital vs. Expense Accounting

removal of these types of items should be expensed, if they are removed before the Retirement Unit is removed.

3. For a Minor Item of property replaced independently of the Retirement Unit of which it is a part, the cost of replacement shall be charged to the appropriate maintenance expense account except for the following exception:
 - a. If the replacement effects a substantial betterment (the primary aim of which is to make the property affected more useful, more efficient, of greater durability or of greater capacity), the excess cost of the replacement over the estimated cost at current prices of replacing without betterment shall be capitalized (charged to a Work Order).

Q4. When is a cost of property of substantial value?

A. There is not a specific dollar limit for property to be expensed or capitalized. However, \$1,000 is typically used as the amount. When in doubt if the property is of substantial value, contact the Supervisor of Unitization in Fixed Asset Accounting (Jim Dean, 287- 2332).

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Various locations and functional areas.	All employees responsible for creating purchase order requisitions and origination of work orders.	1. Determine if the cost is to repair, maintain, retire, replace, or add an item of property.
Various locations and functional areas.	All employees responsible for creating purchase order requisitions and origination of work orders.	2. The cost(s) of maintaining or repairing fixed assets where no property unit is replaced will always be charged to a maintenance expense account.
Various locations and functional areas.	All employees responsible for creating purchase order requisitions and origination of work orders.	3. The cost(s) of adding, retiring or replacing an item of property should be capitalized (charged to a work order), if the property is: <ol style="list-style-type: none"> a. A Retirement Unit. b. A New Minor Item of substantial value which provides a substantial betterment and which did not previously exist. c. A Minor Item of substantial value retired and not replaced. d. A Minor Item of substantial value,

		<p>which effects a substantial betterment. Only the excess cost of replacement over the estimated cost at current prices of replacing without betterment should be capitalized.</p>
<p>Various locations and functional areas.</p>	<p>All employees responsible for creating purchase order requisitions and origination of work orders.</p>	<p>4. The cost(s) of adding, retiring or replacing an item of property should be expensed (charged to an appropriate maintenance expense account) if the property is:</p> <ul style="list-style-type: none"> a. A New Minor Item and not of substantial value. b. A Minor Item that is replaced.
		<p><i>Note: The excess cost of a substantial betterment should be capitalized (see 3.d). The remaining cost (Total less Excess) should be expensed.</i></p>

Training and Documents

Training:

Documents (Copies can be found in Fixed Asset Accounting Department):

Who Should Know

- Controller
- Assistant Controllers
- Fixed Asset Accounting
- All Departments

Related Information

Work Order Accounting Policy

Computer Software Developed or Obtained for Internal Use Policy

Contacts

Capital vs. Expense Accounting

NAME	ROLE	DEPARTMENT
Peggy Laub	Manager	Fixed Asset Accounting
Jim Dean	Coordinator	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP: Generally Accepted Accounting Principles

Revisions

The following revision is effective 12/01/00:

- Update procedure for department name change

The following revision is effective 11/01/01:

- Update procedure for responsibility changes

The following revision is effective 11/01/02:

- Update procedure for personnel changes

The following revision is effective 01/01/04:

- Update the Question/ Answer section and Related Information

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Audit of Capital Work Orders

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Peggy Laub
Effective Date: 07/01/04
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

Each quarter, Fixed Asset Accounting shall analyze the work orders in account 106 and 107 in order to provide the business units with information regarding open work orders and to follow up on getting the necessary completion reports to close out the work orders.

Reason for Policy

To ensure that completion reports for work orders are being sent back to Fixed Asset Accounting and that in-service dates are being entered in a timely manner for those work orders

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is a completion report? What information is included in a completion report?

A. A completion report is a copy of the work order. The completion report denotes when a work order has been completed and the costs incurred in getting the job completed. The completion report serves as Fixed Asset Accounting's record that the work has been completed as well as the field's approval of the final cost and distribution of the work order.

Q2. How are in-service dates entered?

A. The in-service date should be entered into BDMS under work code setup.

Q3. Who has the authorization to enter in-service dates into the system?

A. Authorization for BDMS is given by each Business Unit's Financial Operations department. Each department designates to the BDMS access personnel (John Linton and Ron Cooley) who should have authorization. Any individual who has been designated by his/her department and authorized by John or Ron has the ability to enter in-service dates into the system for work orders created by their business unit. Authorization is not controlled by Fixed Assets.

Q4. What is the Fixed Asset Accounting department's policy regarding the retention of work order and related paperwork?

A. Fixed Assets permanently keeps in their records the copy of the completion report sent in by the field.

Q5. Who has the authority to create a work order? How are work orders created?

A. This function is also controlled by each Operating Department. Fixed Assets does not create any work orders, work orders are created by designated persons in each Operating Department and then entered into BDMS by the authorized individual.

Q6. How long do work orders typically stay open? How does Fixed Asset Accounting identify work orders that have inappropriately remained open?

Audit of Capital Work Orders

A. The time a work order can stay open can vary depending on the size and type of job. Fixed Assets monitors work orders with no activity to see if they have inappropriately remained open.

Procedure

- Capture information on business transactions (CoA.1)
- Classify transactions (CoA.2)
- Identify error(s) and pushback for correction (CoA.3)
- Correct error(s) (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Sharon Hall	1. On a quarterly basis, generate two reports out of Project Management in the PowerPlant system, using the criteria of "Open, with no Direct Charges" or "In-Service, but not completed". The first report details work orders still in CWIP that have received no direct charges in three months. The second report details work orders that have been placed in-service, but for which completion reports have not been prepared or submitted.
Fixed Asset Accounting	Sharon Hall	2. Send Transmission & Distribution Lists to Dave Schafer (RBU) and Production Lists to Jeff McNeely and Debbie Spade (CBU). <i>Note: The information provided for each work order on the lists is essentially the same, the reason for the two different reports is to segregate the work orders by business unit responsibility.</i>
CBU - Project Controls	Jeff McNeely Debbie Spade	3. Maintain a master copy of the list to review the status. Breaks lists out by locations and send the work orders to the appropriate Business Investment Specialist, as the Business Investment Specialists are responsible for coordinating administration and close out of open work orders. If necessary, the Business Investment Specialists contact the appropriate Engineer in charge of a specific work

		order to determine whether a work order has been completed. Engineers are extensively involved with the work orders on the site, while the Business Investment Specialists manage the paperwork.
RBU - Capital Projects	Dave Schafer	4. Organize the information by department (Substation Construction, Substation Maintenance, Transmission, Distribution, Buildings & Grounds, Other) so that individual groups can review the open work orders "owned" by them and determine whether the work orders are appropriately reflected on the report.
RBU - Capital Projects	Jeff Davis	5. Formats the reports and answers any questions the reviewing individuals might have. Note: This is done for RBU-related work orders only. The districts have three weeks to respond back to RBU Capital projects. After Fixed Assets closes the following month the report will be run again. If action has not been taken on the work orders previously identified a written explanation will have to be provided to RBU capital projects and Fixed Asset Accounting.
Various Departments	Various Personnel	6. After reviewing the reports, communicate any revisions or updates regarding the status of specific work orders to CBU - Project Controls or RBU - Capital Projects so that the reports can be corrected.

Training and Documents

Training:

Documents:

Who Should Know

- Controller

Audit of Capital Work Orders

- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting
- Project Controls
- Capital Projects

Related Information

Work Order Accounting Policy

Contacts

NAME	ROLE	DEPARTMENT
Sharon Hall	Analyst	Fixed Asset Accounting
Peggy Laub	Manager	Fixed Asset Accounting
Dave Schafer	Supervisor	Capital Budgets
Jeff McNeely	Manager	Project Controls
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Asset Retirement Obligations - Reconciliation & Analysis

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed
Assets
Process Owner: Peggy Laub
Effective Date: 01/01/04
Revised Date: 03/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

On at least an annual basis, or more frequently, as determined by the Fixed Asset Accounting manager, all asset retirement obligations-related accounts will be reconciled between subsidiary ledgers and General Ledger. All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) policy.

Reason for Policy

- To ensure that all asset retirement obligations-related balances are recorded in the Company's financial statements in adherence to GAAP and Regulatory Requirements
- To ensure responsibility for accuracy of data within an account will be held by those closest to the transactions

- To increase control of accounts
- To clearly define ownership of accounts providing a single source for information regarding the accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What documentation should be included in the Account Reconciliation workpapers?

A. The accounts reconciliation workpapers may vary from account to account. However, at a minimum, each account's workpapers should include the following:

1. Account Background
 - a. Business Purpose of Account
 - b. Nature of Charges to the Account
 - c. Amortization Period, if applicable
 - d. Related Accounts
 - e. Key Contact Person/Department
2. Key Account Documents, as applicable
 - a. Memo summarizing Cinergy's adoption of FAS 143
 - b. Memo summarizing environmental conclusions relating to Cinergy's adoption of FAS 143
 - c. Memo summarizing legal conclusions relating to Cinergy's adoption of FAS 143
 - d. Documentation of:
 - i. What causes an asset retirement obligation to exist,
 - ii. Cost estimates to settle asset retirement obligations and an estimate of the date(s) that the obligation will be settled,
 - iii. Appropriate rate by which to inflate the cost estimate to the anticipated settlement date, and

Asset Retirement Obligations - Reconciliation & Analysis

- iv. Rate (credit-adjusted risk-free rate) used to discount the inflated cost estimate back to the date the obligation was incurred.
- e. Documentation of any updates to the information obtained in point "d" above that is used as a basis for revising the accounting for an existing asset retirement obligation.

3. Reconciliation Data

- a. Date Reconciliation Performed
- b. Individual Performing Reconciliation
- c. Support for Ending Account Balance
- d. Reconciling Items Identified
- e. Date, Method, Individual Clearing Reconciling Items

The workpapers should also any other documentation necessary to support the accuracy of the ending account balance.

Procedure

Reconcile all asset retirement obligations accounts (CoA:9)

DEPARTMENT	RESPONSIBILITY	ACTION
		<i>Note: The following process is performed at least annually, or more frequently, as determined by the Fixed Asset Accounting manager, to reconcile all asset retirement obligations accounts.</i>
Fixed Asset Accounting	Kim Adams	1. Run General Ledger reports from FRT for all applicable accounts.
Fixed Asset Accounting	Kim Adams	2. Obtain supporting Excel or Power Plant schedules.
Fixed Asset Accounting	Kim Adams	3. Verify the General Ledger balance (FRT) to the supporting Excel or Power Plant schedule balances.
Fixed Asset Accounting	Kim Adams	4. Investigate balance differences and misposted transactions as necessary.
Fixed Asset Accounting	Kim Adams	5. Create correcting adjustments, as necessary.
Fixed Asset Accounting	Kim Adams	6. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.
Fixed Asset Accounting	Peggy Laub	7. Approve correcting adjustments

Asset Retirement Obligations - Reconciliation & Analysis

DEPARTMENT	RESPONSIBILITY	ACTION
		and account reconciliation process.

Perform analysis of transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Perform variance analysis on General Ledger account balances as necessary.

Perform analysis of financials statements: business unit review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit with the exception of minimum analysis required to support Legal Entity analysis. The extent of Legal Entity analysis will be determined on a case by case basis, as required.

Perform analysis of financial statements: legal review of regulatory entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	1. Provide Corporate Accounting information as required, for their variance analysis. Provide External Reporting information as required for regulatory disclosure.

Training and Documents

Training:

Additional Documents:

- Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- External Reporting
- Fixed Asset Accounting
- Business Unit CFOs
- Business Unit Accounting Managers
- Business Unit Financial staffs

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Asset Retirement Obligations Policy

Contacts

NAME	ROLE	DEPARTMENT
Peggy Laub	Manager	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

GAAP - Generally Accepted Accounting Principles

FAS 143 - Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*

FRT - Financial Reporting Tool

Revisions

The following revisions are effective 03/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Software Developed or Obtained for Internal Use

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures & Fixed Assets
Process Owner: Peggy Laub
Effective Date: 01/01/04
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Cinergy shall capitalize certain costs of acquiring, developing, and/or implementing new internal use computer software whenever the total of such costs exceeds \$100,000 and the expected useful life of the software exceeds 5 years.

Reason for Policy

To ensure that costs associated with acquiring, developing, and/or implementing new internal use computer software are recorded in the Company's financial statements in accordance with GAAP and other regulatory requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is internal use computer software?

A. SOP 98-1 defines internal use computer software as software "acquired, internally developed, or modified solely to meet the entity's internal needs", and that "during the software's development or modification no substantive plan exists or is being developed to market the software externally".

Q2. When and what types of costs associated with acquiring, developing, and/or implementing internal use computer software can be capitalized?

A. Certain costs of acquiring, developing, and/or implementing new internal use computer software can be capitalized whenever the total of such costs exceeds \$100,000 and the expected useful life of the software exceeds 5 years. Costs to be capitalized include:

- Acquisition cost of purchased software
- Internal labor related costs, including the cost of fringe benefits and payroll taxes, of team members dedicated to the project
- Cost of hardware and software devoted exclusively to the development and/or implementation of software
- Consultant fees directly related to the project
- Out of pocket expenses of team member dedicated to the project
- Allowance for Funds Used During Construction

Q3. How should costs be accounted for that were incurred after the software's in-service date?

A. Costs incurred after the software's in-service date (date when the system is used in the day-to-day operations of the company including completion of all substantial testing) should not be capitalized, unless such costs are a "major enhancement."

Major enhancements to existing systems should be capitalized if they meet the \$100,000 / 5 year criteria described above for new systems. Recurring minor costs of maintaining or updating existing software and minor costs of new software should be charged to expense as incurred.

Q4. Can data conversion costs be capitalized?

A. Costs incurred to develop or obtain software that allows for access or conversion of old data should be capitalized. All other data conversion costs must be expensed as incurred.

Q5. Can labor and incidental expenses of employees occasionally assisting in the development of internal use computer software be capitalized?

A. No, labor and incidental expenses of employees occasionally assisting in the development of internal use computer software must be expensed as incurred. This includes such costs as focus group participation, interviews, and time spent on supplying information to an implementation team. An employee should work at least 500 hours on a project for their time to be capitalized.

Q6. How do you account for internal use computer software that is included in research and development activities?

A. Internal use computer software that is included in research and development activities should continue to be expensed as incurred. Research and development includes software utilized in a particular research and development project, software that is a pilot project, or the formulation, design and testing of possible internal use computer software project alternatives.

Q7. Can costs incurred during the preliminary project stage be capitalized?

A. Costs incurred during the preliminary project stage must be expensed as incurred. The preliminary project stage includes conceptual formulation of alternatives, evaluation of alternatives, determination of existence of needed technology, and final selection of alternatives including vendor and consultant selections.

Q8. Which Cinergy subsidiary should record the costs associated with acquiring, developing, and/or implementing internal use computer software that meet the criteria for capitalization?

A. Costs for systems applicable to the day-to-day functions performed by Cinergy Services, Inc. (e.g., the Service Company) should be capitalized on the books of the Service Company. Costs applicable to the day-to-day operations of one or more operating companies should be capitalized on the books of the operating company or companies which include the functions responsible for the administration of the system.

Q9. Can administrative and general costs and training costs be capitalized?

Software Developed or Obtained for Internal Use

A. No, administrative and general costs and training costs must be expensed as incurred.

Q10. Who is responsible for ensuring that all computer software expenditures are accounted for appropriately?

A. The designated project manager is responsible for ensuring that all applicable expenditures are charged to the proper Company and capital or expense accounts in accordance with this policy.

Q11. Who should I contact if I have any questions regarding the appropriate accounting for internal use computer software?

A. Any questions regarding the appropriate company for capitalization of costs, or which costs should be capitalized, should be directed to the Fixed Asset Department.

Procedure

Capture information on business transactions (CoA.1)

Identify error(s) and pushback for correction (CoA.3)

Correct error(s) (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Various locations and functional areas	All employees responsible for acquiring, developing, and/or implementing new internal use computer software	1. Determine if internal use computer software costs should be capitalized or expensed and determine the appropriate Cinergy subsidiary where costs should be recorded.
Various locations and functional area.	All employees responsible for internal use computer software costs.	2a. For projects where costs must be capitalized complete a Cinergy Work Order Authorization form. Route Work Order Authorization form to the appropriate levels of management for approval. Contact applicable authorized BDMS representative to obtain a work order number from BDMS.
Various locations and functional area.	All employees responsible for internal use computer software costs	2b. For internal use computer software costs that cannot be capitalized, contact applicable authorized BDMS representative for applicable accounting work definition.

Software Developed or Obtained for Internal Use

Various locations and functional area.	All employees responsible for internal use computer software costs	3. Appropriately capitalize or expense employee labor, employee expense costs, contract labor, hardware or software costs, material issues from stock, etc. associated with internal use computer software.
Various locations and functional area.	Project Manager	4. Review and approve costs.
Feeder Departments	Feeder Department Employees	5. Process costs through feeder system.
Various locations and functional area.	Project Manager	6. Review work order activity on a monthly basis. Identify and correct erroneous, missing, or misposted transactions in a timely manner. Corrections must be made to source documents when possible.
Various locations and functional area.	All employees responsible for internal use computer software costs	7. When project is in service, enter an in-service date in BDMS. Send copy of workorder with start date, in-service date and completion date fields to Fixed Asset Accounting within five working days after the project is complete.
Fixed Asset Accounting	Power Plant System	8. Using the in-service date, stop AFUDC/Interest Capitalized charges from accumulating on work order. Begin depreciation.
Fixed Asset Accounting	Fixed Asset Accounting Staff	9. Unitize work order in Power Plant System.

Post journal entries/feeders to BDMS 2.0 (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Feeder departments	Feeder department employees	1. Generate, review, and approve weekly/month-end feeder extract file. <i>Note: This process should be complete by Day 2, EOD.</i>
Corporate Accounting	BDMS Coordinator/ John Linton	2. BDMS will post all feeder extract files approved for posting. <i>Note: This process should be complete by Day 2, EOD.</i>

Create and post accruals (CoA.10)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. All accruals related to this process

Software Developed or Obtained for Internal Use

		have been included in the above procedures.
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Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	1. No reserves are booked related to internal use computer software.

Training and Documents

Training:

Additional Documents:

*Statement of Position 98-1, Accounting for the Costs of Computer Software
 Developed or Obtained for Internal Use*

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- External Accounting
- Fixed Asset Accounting
- Shared Services

Related Information

Work Order Accounting Policy

Contacts

NAME	ROLE	DEPARTMENT
Jim Dean	Supervisor	Fixed Asset Accounting
Kim Adams	Analyst	Fixed Asset Accounting
Peggy Laub	FAA Manager	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research

Amy Sheppard	Manager	Accounting Research
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Definitions

SOP 98-1 - Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*

GAAP - Generally Accepted Accounting Principles

AFUDC - Allowance for Funds Used During Construction

EOD - End of Day

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

Accounting for Spare Parts



Accounting for Spare Parts

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures & Fixed Assets
Process Owner: Peggy Laub
Effective Date: 01/01/03
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Utilities must purchase and maintain inventories of essential spare parts and spare equipment in order to ensure continued, reliable operations. The useful life of such spare equipment will in many cases depend more upon the remaining useful life of the related facility than upon their own physical condition or extent of usage. Accordingly, certain major spare parts and spare equipment should be added to the cost of Plant (capitalized) and depreciated.

Reason for Policy

To ensure against extended interruptions of service caused by mechanical and electrical failures by the purchase of spare parts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. How should Construction Overheads on Capitalized Spares be accounted for?

A. When, upon appropriate approval, a part is transferred from Materials and Supplies to Capitalized Spare Parts, Construction Overheads should be capitalized as cost components of the part. If capitalized Spare Parts are transferred back to Materials and Supplies, these overheads should be reversed and charged to the appropriate overhead work order.

Q2. How should a Capitalized Spare Part, which is not a retirement unit, be accounted for?

A. When a Capitalized Spare Part, which is not a retirement unit, is physically substituted for a part in service, no accounting entry to the electric plant accounts is necessary to reclassify their respective costs.

Q3. How do you account for the cost of all spare parts designated as Materials and Supplies?

A. The cost of all spare parts designated as Materials and Supplies is chargeable to Account 154, Plant Materials and Operating Supplies; therefore, accounting will be similar to that of all other regular materials and supplies items.

Q4. What two categories can Capitalized Spare Parts be classified to?

A. Capitalized Spare Parts can be classified into two categories:

1. Standby Emergency Spare Parts
2. Rotatable (Interchangeable) Emergency Spare Parts.

Q5. What criteria are required for a spare part to be a Standby Emergency Spare Part?

A. In order for a spare part to be a Standby Emergency Spare Part, an item of property must meet **ALL** of the following criteria:

1. It must be a retirement unit or major component thereof.

Accounting for Spare Parts

2. It must have a long expected life; that is, it cannot be subject to frequent use or normal periodic replacements.
3. It must be acquired when the particular machinery or equipment is acquired (or later acquired and set aside for use on particular machinery or equipment).
4. It must be set aside for use as replacements in order to avoid substantial operational time loss caused by emergencies due to particular machinery or equipment failure.
5. It must be located at or near the site of the installed related machinery or equipment so as to be readily available when needed.
6. It must be directly related to the particular machinery or piece of equipment they serve.
7. It must cost at least \$250,000.
8. It must be only available on special order.
9. It must be not readily available from a vendor or manufacturer.
10. It must not be acquired in quantity (generally only one is on hand for each piece of machinery or equipment).
11. It must not be interchangeable in other machines or equipment.
12. It must not be repaired or reused.

Q6. What criteria are required for a spare part to be a Rotatable (Interchangeable) Emergency Spare Part?

A. In order for a spare part to be a Rotatable Emergency Spare Part, an item of property must meet all of the following criteria:

1. It must be a retirement unit or major component thereof.
2. It must possess a service life approximately equal to that of the equipment for which it was acquired.
3. It must be an item of property that is rotatable in nature (the replaced item is generally refurbished in a short period of time so it is available in an emergency).
4. It must be acquired when the particular machinery or equipment is acquired (or later acquired and set aside for use in the particular machinery or equipment).
5. It must be set aside for use as a replacement in order to avoid substantial operational time loss caused by emergencies due to particular machinery or equipment failure.
6. It must be located at or near the site of the installed related machinery or equipment so as to be readily available when needed.
7. It must be directly related to the particular machinery or a piece of equipment they service.

Accounting for Spare Parts

8. It must be normally expensive (cost is not a final criteria, just because an item is expensive does not automatically make it a standby emergency spare part). The cost should exceed \$250,000.

Q7. What should be done with a spare part or spare equipment that does not meet the criteria of a Standby Emergency Spare Part or a Rotatable Spare Part?

A. All spare parts and spare equipment which do not meet the criteria as a Standby Emergency Spare Part or a Rotatable Spare Part are considered Materials and Supplies and are to be charged to **Account 154, Plant Materials and Operating Supplies**. Account 154 generally includes materials, supplies and repair parts held in inventory to meet recurring general requirements.

The determination as to whether a spare part should be capitalized or charged to Account 154 should be applied on a consistent basis at all locations.

Q8. Where are Spare Parts stored?

A. Capitalized Spare Parts are generally stored at or near the related facility.

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Various locations and functional areas.	All employees responsible for spare parts inventory.	1. The cost of Capitalized Spare Parts includes the following components, as applicable: <ul style="list-style-type: none"> • Purchase price • Special test prior to acceptance • Loading and unloading charges • Freight • Applicable taxes • Company Construction Overheads • Allowance for Funds Used During Construction • Other properly assignable charges
Various locations and functional areas.	All employees responsible for spare parts inventory.	2. The following accounting instructions apply to the installation of Capitalized Spare Parts, which are not retirement units:

Accounting for Spare Parts

DEPARTMENT	RESPONSIBILITY	ACTION
		<ul style="list-style-type: none"> • Charge the appropriate maintenance account with the cost of installation, removal and repair (if applicable). • If the replaced part is not repaired, and a replacement spare part is not acquired, retire the replaced part at its original cost, excluding costs of original installation. • If the replaced part is not repaired and another part is acquired, charge the appropriate maintenance account with the cost of acquiring the replacement part. • If the replaced part is refurbished for reuse, the cost of refurbishing must be charged to the appropriate maintenance account.
Various locations and functional areas.	All employees responsible for spare parts inventory.	<p>3. The following accounting instructions apply to the Capitalized Spare Parts for the replacement of retirement units:</p> <ul style="list-style-type: none"> • If the replaced part is repaired, charge the appropriate maintenance account with the cost of repairing the replaced part. • If the replaced part is not repaired, retire the replaced part, at its original installed cost and charge the appropriate retirement work order with the cost of removal, less any salvage.
Various locations and functional areas.	All employees responsible for spare parts inventory.	<p>4. The following accounting instructions apply to record keeping for Capitalized Spare Parts:</p> <ul style="list-style-type: none"> • A complete physical inventory of Capitalized Spare Parts is to be taken annually and reconciled with Fixed Assets' Capitalized Spare Parts records.

Accounting for Spare Parts

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Peggy Laub	5. Approve any new Capitalized Spare Parts in Passport.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- Fixed Asset Accounting
- Commercial Business Unit
- Inventory Services

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Peggy Laub	Manager	Fixed Asset Accounting
Diana Douglas	Manager	Fuel & Joint Owner Accounting
Shawn Wilson	Power Production Cost Analyst	Fixed Asset Accounting
Melanie Jones	Material Acctg. Assistant	Inventory Services
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 01/01/04:

- Update the Question/Answer section
- Update the Contacts section

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Asset Retirement Obligations

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures and Fixed Assets
Process Owner: Peggy Laub
Effective Date: 01/01/04
Revised Date: 03/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

All asset retirement obligations arising from legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset shall be appropriately recognized and measured in the period incurred. The initial recognition of this liability will be accompanied by a corresponding increase in property, plant, and equipment. Subsequent to the initial recognition, the liability will be adjusted for any revision to the expected cash flows of the retirement obligation and for accretion of the liability due to the passage of time.

Reason for Policy

- To ensure the user of financial statements that they have comparable statements and that the statements appropriately reflect the financial position and results of operations of the company
- To ensure that obligations that meet the definition of a liability are being recognized when those liabilities are incurred or the recognized liability was consistently measured and presented

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is legal obligation?

A. A legal obligation is an obligation that an entity is required to settle as a result of an existing or enacted law, statute, ordinance or written or oral contract or by legal construction of a contract under the doctrine of promissory estoppel.

Q2. What is promissory estoppel?

A. Promissory estoppel allows enforcement of a promise made by one party that is reasonably relied upon by another party to its detriment. For example, an entity plans to leave a building in place at the end of its useful life, but significant public pressure exists for the company to demolish the building. The company's CEO makes a public statement that it will demolish the building and someone relied on this information to their detriment. If the company does not demolish the building, it can still be held accountable for the CEO's statement under the doctrine of promissory estoppel.

Q3. How are legal obligations created under this policy?

A. Legal obligations are associated with retirement of a long-lived asset and are incurred upon acquisition, upon construction, and/or during the normal operation of a long-lived asset.

Q4. What are asset retirement obligations and asset retirement costs?

A. Asset retirement obligation (ARO) refers to an obligation associated with the retirement of a tangible long-lived asset. Asset retirement cost refers to the amount capitalized that increases the carrying amount of the long-lived asset when a liability for an asset retirement obligation is recognized.

Q5. What valuation method should be used in determining fair value of the asset retirement obligation?

Asset Retirement Obligations

A. An expected cash flow approach (which is a present value technique) is usually the only appropriate technique with which to estimate the fair value of a liability for an asset retirement obligation. This involves weighting multiple cash flow scenarios based on the relative probability of their occurrence. The cost estimate should be determined assuming that an independent third party completes the required retirement activities.**Q6. Can an asset retirement obligation be incurred in multiple periods?**

A. A liability may be incurred over more than one reporting period if the events that create the obligation occur over more than one period. Any incremental liability incurred in a subsequent reporting period shall be considered to be an additional layer of the original liability. Each layer shall be initially measured at fair value.

Q7. What shall be recorded as accretion expense?

A. Measured changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period shall be recorded as accretion expense. The interest rate used to measure the change shall be the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount shall be recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item on non-regulated companies (not as interest expense).

Q8. How do you account for revisions in timing or amount of the original estimate?

A. Changes resulting from revisions in timing or the amount of the original estimate shall be recognized as a change in the carrying amount of the liability for the asset retirement obligation and a change in the related asset retirement cost capitalized as part of the carrying amount of the related long-lived asset.

Q9. What interest rate should be used?

A. Upward revisions in the amount of undiscounted estimated cash flows shall be discounted using the current credit-adjusted risk-free rate. Accounting Research and Treasury will assist with this determination. Downward revisions shall be discounted using the credit-adjusted risk-free rate that existed when the original liability was recognized.

Q10. How do funding or assurance provisions affect this policy?

A. Providing assurance does not satisfy or extinguish the related liability. Costs associated with complying with funding or assurance provisions are accounted for separately from the asset retirement obligation.

Q11. How does this policy relate to regulated entities?

A. Many rate-regulated entities currently provide for the costs related to the retirement of certain long-lived assets in their financial statements and recover those amounts in rates charged to their customers. Some of those costs result from asset retirement obligations within the scope of this policy, and others result from costs that are not within the scope of this policy. The amounts charged to customers may differ from the period costs recognized in accordance with this policy and therefore, may result in a difference in timing of recognition of period costs for financial reporting and rate-making purposes. An additional recognition timing difference may exist when the costs are included in amounts charged to customers but liabilities are not recognized in the financial statements. A regulated entity shall recognize a regulatory asset or liability for differences in the timing of recognition of period costs associated with asset retirement obligations.

Q12. How does this policy affect cost of removal included as a component of depreciation rates?

A. The SEC staff has concluded that FAS 143 specifically precludes an entity from recording an expense for estimated costs associated with the removal or retirement of assets that result from other than legal obligations. If the removal cost is an ARO, amounts recorded in accumulated depreciation for gross removal cost should be subsumed into the ARO upon adoption of FAS 143 (regardless of whether FAS 71 is applicable or not).

If the removal cost is not an ARO, non-regulated companies must reclassify any amounts accrued in accumulated depreciation for cost of removal to a cumulative effect of change in accounting principle upon adoption. For regulated companies, the reclassification is to a regulatory liability. On a prospective basis, non-regulated companies will not be able to expense these amounts up-front, and regulated companies must record these amounts as a regulatory liability.

Q13. Does this policy include leasing transactions?

A. This policy does not apply to obligations of a lessee in connection with leased property, whether imposed by a lease agreement or by a party other than the lessor, that meet the definition of either minimum lease payments or contingent rentals in FAS 13. However, if obligations of a lessee in connection with leased property meet the definition of a legal obligation in this policy but do not meet

Asset Retirement Obligations

the definition of either minimum lease payments or contingent rentals, those obligations shall be accounted for in accordance with this policy.

Procedure

Capture information on business transactions (CoA.1)

DEPARTMENT	RESPONSIBILITY	ACTION
Legal CBU Environmental RBU Oak Mountain Cinergy Solutions Vestar International Cinergy Ventures	John Finnigan Diana Douglas Dale Wilson Debbie Nispel Jim Stieritz Don Storck Dave Schafer Jim Lance Julie Hollingsworth Anna Allen Mark Krabbe Anna Allen	1. Identify items that may constitute asset retirement obligations under FAS 143 and notify Fixed Asset Accounting of such items.
Fixed Asset Accounting Legal	Peggy Laub Jim Dean John Finnigan	2. If item in Step 1 is not identified by Legal, communicate information obtained in Step 1 to Legal for their determination as to whether a legal obligation for asset retirement exists.
CBU Environmental RBU Oak Mountain Cinergy Solutions Vestar International Cinergy Ventures	Diana Douglas Dale Wilson Debbie Nispel Jim Stieritz Don Storck Dave Schafer Jim Lance Julie Hollingsworth Anna Allen Mark Krabbe Anna Allen	3. Provide estimate of cost to settle asset retirement obligation, appropriate inflation rate, and expected date(s) of obligation settlement.
Treasury	Chris Vogt	4. Provide credit-adjusted risk-free rate (discount rate).
CBU Environmental RBU Oak Mountain Cinergy Solutions	Diana Douglas Dale Wilson Debbie Nispel Jim Stieritz Don Storck Dave Schafer Jim Lance Julie Hollingsworth	5. Provide updates of cost estimate, inflation rate, and expected date(s) of obligation settlement, on at least an annual basis, or in interim periods to the extent such changes are material.

Vestar International Cinergy Ventures	Anna Allen Mark Krabbe Anna Allen	
Treasury	Chris Vogt	6. Provide credit-adjusted risk-free rate (to the extent the update to the cost estimate provided in step 5 is an increase from the previous estimate).

Classify transactions (CoA.2)
 Identify error(s) and pushback for correction (CoA.3)
 Correct error(s) (CoA.4)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Jim Dean	1. Input information obtained in steps 3 and 4 above into Power Plant and verify that the calculations are working properly. If the entity to which the asset retirement obligation relates is not tracked in Power Plant, complete similar calculations on an Excel spreadsheet.
Fixed Asset Accounting	Jim Dean	2. Identify errors.
Fixed Asset Accounting	Jim Dean	3. Correct errors as necessary.

Cutoff transactions (CoA.5)
 Prepare journal entries (CoA.6)
 Identify and correct errors (CoA.7)
 Post journal entries (CoA.8)

DEPARTMENT	RESPONSIBILITY	ACTION
Fixed Asset Accounting	Kim Adams	1. Close Power Plant system to further entry of asset retirement obligations for current accounting/ reporting period. <i>Note: This should be completed by Day 3, MOD.</i>
Fixed Asset Accounting	Kim Adams	2. Identify and correct errors related to the closing of Power Plant as necessary.
Fixed Asset Accounting	Kim Adams	3. Submit Power Plant to Accounting for posting to the ledger.
Corporate Accounting	John Linton Ron Cooley	4. Post Power Plant extract file.

Create and post accruals (CoA.10)
 Create and post reserves (CoA.11)

DEPARTMENT	RESPONSIBILITY	ACTION
N/A	N/A	All accruals and reserves are included in the above processes.

Training and Documents

Training:

Additional Documents:

- Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*
- Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*
- FASB Concepts Statement No. 5, *Recognition and Measurement in Financial Statements of Business Enterprises*
- FASB Concepts Statement No. 6, *Elements of Financial Statements*
- FASB Concepts Statement No. 7, *Using Cash Flow Information and Present Value in Accounting Measurements*

Who Should Know

- Fixed Asset Accounting
- CBU
- RBU
- Environmental
- Cinergy Solutions
- Cinergy Ventures
- International
- Legal

Related Information

Asset Retirement Obligations - Reconciliation & Analysis Policy

Asset Retirement Obligations

Contacts

NAME	ROLE	DEPARTMENT
Peggy Laub	Manager	Fixed Asset Accounting
Jim Dean	Coordinator	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

FAS 13 - Statement of Financial Accounting Standards No. 13, *Accounting for Leases*

FAS 71 - Statement of Financial Accounting Standards No. 71, *Accounting for the Effects of Certain Types of Regulation*

FAS 143 - Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*

MOD - Middle of Day

Revisions

The following revisions are effective 03/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for change in personnel



Work Order Accounting

Functional Area: Fixed Asset Accounting
Sarbanes-Oxley Category: Capital Expenditures & Fixed Assets
Process Owner: Peggy Laub
Effective Date: 05/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Cinergy will account for fixed capital assets owned by the company by maintaining a Fixed Asset ledger (continuing property record). Work orders are used to capture costs associated with installation and retirement of company assets that are recorded on the Fixed Asset ledger. Cinergy has one Fixed Asset System, known as Power Plant.

Reason for Policy

To ensure the corporation is in compliance with Generally Accepted Accounting Principles and regulatory requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is a Fixed Asset ledger?

A. It is a continuing property record (CPR) that includes the quantity, vintage year, original cost of property owned and retired for mass plant and vintage year, location and FERC Account for non-mass plant. CPR information is also used for studies pertaining to insurance, depreciation, rate cases and taxes.

Q2. When do I need a work order number?

A. You need a work order number to add or remove retirement units to or from the Fixed Asset ledger. Work orders accumulate charges of construction or salvage and removal costs for retirement for a capital project. Specific work orders are for large or certain projects and blanket work orders are for selected smaller jobs that have costs up to \$25,000.

Q3. How do I get a work order number?

A. A work order number is obtained through the "Work Code Setup Wizard" button of "BDMS Code Setup" in PBR. The system will assign work order numbers consecutively to each specific construction and retirement job.

Q4. How do I set up a work order in BDMS?

A. Each functional area has a person authorized to open work orders in BDMS. Contact the person in your area.

Q5. What do I do with a work order after it is created?

A. Keep a copy of the work order for your files. A copy of the work order with the start date, in service date and completion date fields completed should be sent to Fixed Asset Accounting within five working days of the completion date of the job. The work order can be sent in hard copy form to 220EX or by e-mail to the FAA mailbox. A separate completion notice is no longer required.

Q6. How do I notify Fixed Assets that a work order is in service?

A. The in-service date should be entered on the work order screen in the Workcode Set-up Wizard.

Work Order Accounting

Q7. Do I need a work order if property is retired in place?

A. Yes. A work order is needed to remove any out-of-service property from the Fixed Asset ledger.

Q8. What costs are charged to a work order?

A. Construction, cost of removal (for regulated companies only) and salvage should be charged to work orders. Cost of removal for non-regulated companies should be expensed in accordance with FAS 143.

Q9. Do I need a specific construction work order if I have a cash receipt?

A. At PSI, cash receipts of \$25,000 or less can be applied towards a blanket work order. At CG&E, any reimbursable time/material job should use a specific work order; otherwise, use the appropriate blanket work order.

Q10. How do I find out what charges have accumulated on a specific work order?

A. Accumulated charges can be retrieved through the PBR tools.

Q11. What is AFUDC / Interest Capitalized?

A. AFUDC is Allowance for Funds Used During Construction. AFUDC represents the cost of money (debt and equity) the company incurs while projects are under construction. Regulated utilities are allowed to recover this by including it as a cost of construction. For non-regulated property, interest costs of construction are permitted to be capitalized per Statement of Financial Accounting Standards No. 34, Capitalization of Interest Cost.

Q12. How do I cancel a work order?

A. Send an e-mail note to the Fixed Asset Accounting mailbox (FAA). Fixed Asset Accounting will reverse all AFUDC / Interest Capitalized charged to the work order. The originating department is responsible for adjusting/reversing all remaining costs.

Q13. What is unitization?

A. Unitization is the identification of retirement units within a work order, determining and establishing unit cost, labor and overhead amounts.

Work Order Accounting

Process Flows

Process Description/Narrative

Procedure

Work Order Accounting

DEPARTMENT	RESPONSIBILITY	ACTION
Various company locations (Generating Station, District Office and Corporate Office) and functional areas (T&D Engineering, etc.)	Originator of work order	1. Determine that a capital work order is needed or that capital equipment needs to be purchased.
Various locations and functional areas	Originator of work order	2. Complete a Cinergy Work Order Authorization form.
Various locations and functional areas	Originator of work order	3. Route Work Order Authorization form to the appropriate levels of management for approval.
Various locations and functional areas	Originator of work order	4. Contact the authorized BDMS representative for his/her location or group to obtain a work order number from BDMS.
Various locations and functional areas	Company Personnel and Contractors	5. Work order begins to accumulate charges such as employee labor, contract labor and material, issues from stock, AFUDC / Interest Capitalized and overheads. Work order number and work code must be in BDMS to accumulate charges.
Various locations and functional areas	Originator of work order	6. During construction, the work order activity should be reviewed monthly. Corrections of incorrect charges must be initiated promptly after discovery. Corrections must be made to the source documents when possible.
Various locations and functional areas	Originator of work order	7. When project is in service, enter an in-service date in BDMS.
Various locations and functional areas	Originator of work order	8. Send copy of work order with start date, in service date and completion

Work Order Accounting

		date fields completed to Fixed Asset Accounting within five working days after the job is completed.
Fixed Asset Accounting	Power Plant System	9. Using the in-service date, stop AFUDC / Interest Capitalized charges from accumulating on work order. Depreciation begins the month after the in-service date is entered into BDMS.
Fixed Asset Accounting	FAA Employee	10. Unitize work order in Power Plant System.

Training and Documents

Training:

- CG&E Property Unit Catalog
- Interpretations Of Uniform System Of Accounts For Electric, Gas And Water Utilities
- Accounting And Reporting Requirements For Public Utilities And Licensees, FERC-0114
- PSI Plant Accounting Manual, Volume 1
- PSI Plant Accounting Manual, Volume 2
- Power Operations Plant Account Manual
- Code of Federal Regulations, Conservation of Power and Water Resources, #18
- Statement of Financial Accounting Standards, No. 34, Capitalization of Interest Cost

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Fixed Asset Accounting
- Power Production
- District Locations
- Engineers
- Transmission
- Substation
- Distribution

- Tax
- Real Estate Services and Right of Way
- Facility Services

Related Information

Capital vs. Expense Accounting Policy

Contacts

NAME	ROLE	DEPARTMENT
Jim Dean	Supervisor Unitization	Fixed Asset Accounting
Joe Roetting	Sr. Acct. Clerk	Fixed Asset Accounting
Mark Knue	Sr. Acct. Clerk	Fixed Asset Accounting
Dave Scherrer	Accountant	Fixed Asset Accounting
Peggy Laub	FAA Manager	Fixed Asset Accounting
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

FERC - Federal Energy Regulatory Commission

BDMS - Business Data Management System

Retirement Units - property such as poles, wire, cable, transformers, etc.

Work Order Authorization - serves to authorize all construction, retirement work applicable to a project

Revisions

The following revisions are effective 12/01/00:

- Update procedure for process changes
- Update procedure for personnel changes

The following revision is effective 11/01/01:

- Update procedure for Interest Capitalized

The following revisions are effective 11/01/02:

- Update procedures Question/ Answer section
- Update procedure for personnel changes

The following revision is effective 01/01/04:

- Update the Question/ Answer section

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



New Corporation Set-up - Treasury Department

Functional Area: Corporate Cash Management
Sarbanes-Oxley Category: General
Process Owner: Kim Sipes
Effective Date: 09/01/98
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

The Treasury Department must be contacted to set up a bank account for a corp. Cash Management is the only authorized body to perform this task.

Reason for Policy

To provide security of Bank Accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Setting up a Bank Account for the new corp

DEPARTMENT	RESPONSIBILITY	ACTION
		1. Call Kim Sipes if a bank account is needed for a new corp.
Treasury	Kim Sipes	2. Gather the following information: <ul style="list-style-type: none"> • From Tax Department: Tax ID #, W9 • From Legal Department or 'sponsor': Board Resolution (which includes Certificate of encumbrances).
Treasury	Kim Sipes	3. Open bank account.
		4. If lockbox has been requested, a formal agreement must be made with the bank. The following information is necessary to complete the agreement: <ul style="list-style-type: none"> • Person responsible for Accounts Receivable • Contract negotiated in Treasury and Legal
Treasury	Kim Sipes	5. Set up the new corp. in Treasury Work Station and Accounting.
Accounts Payable Treasury	Kim Sipes Kathy Urban	6. If corporation will cut checks: <ul style="list-style-type: none"> • Set up as a pay-corp. in Passport • Set up as a bottom line in Treasury
Treasury	Kim Sipes	7. Notify of completion.

Training and Documents

Training:

Additional Documents:

- ATWS manual

Who Should Know

- Controller
- Assistant Controllers
- Corporate Accounting
- External Reporting
- Tax
- Fixed Asset Accounting
- Payroll
- Accounts Payable
- Misc. Accounts Receivable

Related Information

New Corporation Set-up Policy

Contacts

NAME	ROLE	DEPARTMENT
Kim Sipes	Manager	Treasury
Kathy Urban	Supervisor	Accounts Payable
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Board Resolution: Board authority for bank accounts

Certificate of Encumbrances: Verification of authorized agents for Cinergy

Treasury Work Station: Treasury software used to run daily positions and hold cashbook information

Passport System: Accounts Payable system

Revisions

The following revision is effective 07/01/03:

- Update policy for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Cash Management - Daily Processing

Functional Area: Corporate Cash Management
Sarbanes-Oxley Category: Cash and Cash Equivalents
Process Owner: Kim Sipes
Effective Date: 01/01/99
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

Treasury will systematically gather information regarding Cinergy's and its subsidiaries collections, disbursements and bank balances and utilize that information to manage effectively the funds available to Cinergy.

Reason for Policy

To effectively manage Cinergy's funds

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What is the Treasury Workstation?

A. The Treasury Workstation is the tool that Treasury utilizes for cash management purposes.

Q2. What is Pinacle?

A. The Pinacle systems provide an interface between PNC Bank and Cinergy for money transfers via ACHs and wires.

Q3. What is GAITIR?

A. GAITIR is software that confirms Cinergy's commercial paper trades.

Q4. What Cinergy system companies maintain cash balances?

A. The Cinergy system companies that maintain cash accounts are:

- Cinergy Global Resources, Inc.
- Cinergy Solutions, Inc.
- Cinergy Resources, Inc.
- Cinergy Investments, Inc.
- The Cincinnati Gas & Electric Company
- Cinergy Foundations
- Cinergy Services, Inc.
- Miami Power Corporation
- Enertech Associates, Inc. (formerly named Power International)
- PSI Energy, Inc.
- Tri-State Improvement Company
- The Union Light, Heat and Power Company
- Lawrenceburg Gas Company
- The West Harrison Gas and Electric Company
- Cinergy Corp.

Q5. Which Cinergy system companies currently participate in the Money Pool?

A. The Cinergy system companies that currently participate in the Money Pool are:

- The Cincinnati Gas & Electric Company
- The Union Light, Heat and Power Company
- Lawrenceburg Gas Company
- Cinergy Services, Inc.
- PSI Energy, Inc.

Cash Management - Daily Processing

- Cinergy Corp. (can loan money to the money pool but can not borrow from the money pool)

Additionally, the following companies while not currently doing so can also use the Money Pool:

- Miami Power Corporation
- The West Harrison Gas and Electric Company

Q6. What are the five banks that Treasury polls on a daily basis?

A. The five banks that are polled on a daily basis are:

- Bank One
- Fifth Third
- PNC
- Star Bank
- First Chicago

Procedure

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Bob Burwell Kim Sipes Dan Orem	1. At 7:15 a.m. each morning begin polling the five banks for the previous day bank activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	2. Print the "Prior Day Report" for each of the five banks along with the PNC Bank "Working Cash Investment Report."
Treasury	Bob Burwell Kim Sipes Dan Orem	3. Post first polling activity to the Treasury Workstation.
Cashiers Fifth Third Bank	Pat Beagle Jennifer Burris	4. Provide Treasury with previous day lockbox activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	5. Determine amount of lockbox funds that are available in the current day.
Treasury	Bob Burwell Kim Sipes Dan Orem	6. Input lockbox funds available in the current day in Treasury Workstation SmartSheets.
Treasury	Bob Burwell Kim Sipes Dan Orem	7. Print current day SmartSheets for each applicable Cinergy system company.

Cash Management – Daily Processing

Treasury	Bob Burwell Kim Sipes Dan Orem	8. Review each company's cash position as reflected on the SmartSheets. Close and save Treasury Workstation SmartSheets for those companies where the reflected cash position for each bank approximates the needed cash position.
Treasury	Bob Burwell Kim Sipes Dan Orem	9. Review SmartSheets for Cinergy non-regulated companies and their applicable subsidiaries. Prepare ACH forms to transfer any excess funds from subsidiaries to parent, as necessary. Prepare ACH forms to advance fund deficiencies from parent to subsidiaries, as necessary. Determine excess funds to be transferred from non-cash concentration banks to cash concentration bank, as necessary.
Treasury	Bob Burwell Kim Sipes Dan Orem	10. Review SmartSheets of remaining Cinergy companies to determine excess funds to be transferred from non-PNC banks to PNC Bank (the cash concentration bank).
Treasury	Bob Burwell Kim Sipes Dan Orem	11. Process Wire transactions generated from the above steps in the "Pinacle" system.
Treasury	Bob Burwell Kim Sipes Dan Orem	12. Process other requests for Wire transactions in the "Pinacle" system.
Treasury	Bob Burwell Kim Sipes Dan Orem other than "preparer" in step 11	13. For any Wire input using "Free Form," review data in Pinacle system against Wire request letter. If data is correct, approve the Wire. If data is incorrect, modify Wire and return to preparer for approval.
Treasury	Bob Burwell Kim Sipes Dan Orem	14. Approve any "Free Form" Wire modified by the reviewer.
Treasury	Bob Burwell Kim Sipes Dan Orem	15. Transmit Wire, print "Today's Transactions Detail Without Totals" report and update Treasury Workstation.
Treasury	Bob Burwell Kim Sipes Dan Orem	16. Process ACH transactions in the Pinacle system.
Treasury	Bob Burwell Kim Sipes	17. Transmit ACHs, print out transactions and parse/post

Cash Management - Daily Processing

	Dan Orem	transactions to Treasury Workstation. File print out of ACHs processed today with Daily Activities and the rest with the future activities.
Treasury	Bob Burwell Kim Sipes Dan Orem	18. At 10:00 a.m. initiate polling of the five banks for the current day bank activity and the controlled disbursement activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	19. Print the "Current Day Reporting" and the Controlled Disbursement reports from the 10:00 polling.
Treasury	Bob Burwell Kim Sipes Dan Orem	20. Post the polling activity to the Treasury Workstation.
Treasury	Bob Burwell Kim Sipes Dan Orem	21. Review Controlled Disbursement reports, and verifies both "First Presentment" and "Second Presentment" are posted.
Treasury	Bob Burwell Kim Sipes Dan Orem	22. If Second Presentment is not posted, contact bank for timing of when it will be posted. Determine if timing is such that Treasury can wait for bank posting or if Treasury needs to initiate borrowing. If unable to wait for bank posting, as a last resort, estimate amount and input into Treasury Workstation. Notify bank of estimated amount.
Treasury	Bob Burwell Kim Sipes Dan Orem	23. Verify A/P ACH activity ties to A/P Registers. Notify A/P of any variances.
Accounts Payable	Mary Ann Amburgy	24. Research and resolve any variances identified.
Treasury	Bob Burwell Kim Sipes Dan Orem	25. Print updated SmartSheets for each applicable Cinergy system company.
Treasury	Bob Burwell Kim Sipes Dan Orem	26. Update Excel Spreadsheet "AREQUIRE" by inputting the Cash Position of PNC Bank from the SmartSheets for the Money Pool companies.
Treasury	Bob Burwell Kim Sipes Dan Orem	27. Review cash position and determine borrowing instrument and borrowing period.
Treasury	Bob Burwell Kim Sipes Dan Orem	28. Using Bank Contact list, contact banks for interest rate quotes.

Treasury	Bob Burwell Dan Orem	29. Determine lender and borrowing period based upon lowest rate.
Treasury	Bob Burwell Kim Sipes Dan Orem	30. Input bank loan transactions into Debt Management Module of the Treasury Workstation
Treasury	Bob Burwell Kim Sipes Dan Orem	31. Update Excel worksheet "AREQUIRE" to reflect: Lender, Rate, Maturity Date and Amount. Print and file worksheet with Daily Activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	32. Update Excel worksheet "MPRate Current Date" as follows: <ul style="list-style-type: none"> • Update "Cost of Funds" to reflect new external borrowings, including lender, rate, maturity date and amount. Delete any repaid borrowings. • Update "Use of Funds" to reflect cash requirements (from either the AREQUIRE Excel Worksheet or the SmartSheets, as applicable. Obtain Commercial Paper 30-day borrowing rate from Bloomberg. • Verify Cost of Funds equal Use of Funds, and reclassify as necessary. • File with Daily Activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	33. Document Money Pool transactions.
Treasury	Bob Burwell Kim Sipes Dan Orem	34. Update Debt Management Module of Treasury Workstation for any commercial paper borrowings
Treasury	Bob Burwell Kim Sipes Dan Orem	35. Update Debt Instrument Module and Investment Management Module of the Treasury Workstation for the Money Pool transactions.
Treasury	Bob Burwell Kim Sipes Dan Orem	36. Rerun, save and print SmartSheets. Mark as "final" and file with Daily Activity.
Treasury	Bob Burwell Kim Sipes Dan Orem	37. Generate "Financial Holding Detail Report" and "Chronological Detail Report" from the Treasury Workstation. Review reports and verify transactions are reflected appropriately. Match transactions between the two reports. Identify additional Wires requiring processing.
Treasury	Bob Burwell Kim Sipes	38. Run Treasury Workstation "Daily Cash Update" and generate

	Dan Orem	"Investment Position Report by Issuer ID" and "Debt Position Report by Issuer ID." Provide copies of the reports to Wendy Aumiller, Kim Sipes and Madeleine Ludlow.
Treasury	Bob Burwell Kim Sipes Dan Orem	39. Process Wire transactions in the Pinnacle system and print "Today's Transaction Detail Without Totals".
Treasury	Bob Burwell Kim Sipes Dan Orem	40. Process any additional ACHs (along with Money Pool ACHs).
Treasury	Bob Burwell Kim Sipes Dan Orem	41. Transmit ACHs, print out transactions and parse/post transactions to Treasury Workstation. File print out of ACHs processed today with Daily Activities and the rest with the future activities.

Training and Documents

Training:

Additional Documents:

- Treasury Controls Checklist

Who Should Know

- Treasurer
- Treasury

Related Information

Cash Ledger Procedure Policy

Contacts

NAME	ROLE	DEPARTMENT
Kim Sipes	Manager	Treasury
Robert Burwell	Senior Analyst	Treasury

Cash Management - Daily Processing

Dan Orem	Senior Analyst	Treasury
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Petty Cash Funds

Functional Area: Corporate Cash Management
Sarbanes-Oxley Category: Cash and Cash Equivalents
Process Owner: Kim Sipes
Effective Date: 11/01/00
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

Petty cash funds may be used for small, unforeseen expenditures. All transactions associated with the Petty Cash Funds will be recorded.

Reason for Policy

To record Petty Cash activity in the Company financial statements in adherence with GAAP and regulatory requirements

Process Flows

Process Description/Narrative

Frequently Asked Questions

Q1. What are allowable petty cash expenses?

A. Petty cash funds may be used for the following types of expenses:

- Expenses that must be immediately paid due to the nature of the item.
- Emergency expenses incurred to support continued daily business operations.
- Expenses incurred where checks, credit cards, or business credit are not available or permitted.

The usage of the petty cash fund is at the discretion of local management.

Q2. What are some examples of items that may not be paid by petty cash?

A. Examples of items that may not be paid by petty cash include:

- Utility bills
- Donations and contributions
- Checks returned by banks
- Payroll advances or other payroll-related items
- Stores material items
- Charge accounts
- Employee expense accounts

The petty cash fund should never be used to pay for services.

Q3. What are the responsibilities of the Petty Cash Fund Custodian?

A. The Petty Cash Fund Custodian is responsible for safeguarding the cash, receiving and retaining proper documentation for disbursements, disbursing the cash, maintaining a record/log of all disbursements, and obtaining reimbursement to the fund as needed. The Petty Cash Fund Custodian is also responsible for ensuring that the Petty Cash funds are maintained separately from all other funds.

Q4. How do I establish or increase a Petty Cash Fund?

A. If a Business Unit organization determines that it needs a Petty Cash Fund or that the amount of its fund needs to be increased, the department head or local office manager should send a request letter and Cash Voucher to the Business

Petty Cash Funds

Unit Accounting Manager. If a Corporate Center organization determines that it needs a Petty Cash Fund or that the amount of its fund needs to be increased, the department head should send a request letter and Cash Voucher to Treasury.

Q5. What information should be included in the request letter to establish or increase a Petty Cash Fund?

A. The request letter should include the following information:

- Dollar amount being requested
- Name of Petty Cash Custodian
- Name of office or area requesting petty cash
- Business purpose of Petty Cash Fund

Procedure

Establishing a Petty Cash Fund

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department / Local Office	Department Head or Local Office Manager	1. Determine amount of Petty Cash funds needed. Appoint Petty Cash Fund Custodian. Prepare/ approve request letter and Cash Voucher (M9300-2-R98). Business Unit organizations forward request letter and Cash Voucher to the Business Unit Accounting Manager. Corporate Center organizations forward request letter and Cash Voucher to Treasury. Maintain copy for Department records.
Business Unit Financial Operations	Business Unit Accounting Manager	2. Review and approve request letter and Cash Voucher. Forward approved request letter and Cash Voucher to Treasury.
Treasury	Kim Sipes	3. Review and approve request letter and Cash Voucher.
Treasury	Robert Burwell	4. Update Petty Cash Funds Subsidiary Ledger. Forward approved Cash Voucher and copy of Petty Cash Funds Subsidiary Ledger to Accounts Payable.
Accounts Payable	Carolyn White	5. Update Vendor File. Process Cash Voucher and issue check to Petty Cash Fund Custodian.

Petty Cash Funds

Increasing Petty Cash Fund

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department / Local Office	Department Head or Local Office Manager	1. Determine additional amount of Petty Cash funds needed. Prepare/approve request letter and Cash Voucher (M9300-2-R98). Business Unit organizations forward request letter and Cash Voucher to the Business Unit Accounting Manager. Corporate Center organizations forward request letter and Cash Voucher to Treasury. Maintain copy for Department records.
Business Unit Financial Operations	Business Unit Accounting Manager	2. Review and approve request letter and Cash Voucher. Forward approved request letter and Cash Voucher to Treasury.
Treasury	Kim Sipes	3. Review and approve request letter and Cash Voucher.
Treasury	Robert Burwell	4. Update Petty Cash Funds Subsidiary Ledger. Forward approved Cash Voucher and copy of Petty Cash Funds Subsidiary Ledger to Accounts Payable.
Accounts Payable	Carolyn White	5. Process Cash Voucher and issue check to Petty Cash Fund Custodian.

Decreasing Petty Cash Fund

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department / Local Office	Department Head or Local Office Manager	1. Determine amount of Petty Cash funds needed. Convert cash into a cashier's check or money order and deposit to Huntington National Bank. Prepare request letter for new amount of fund. Business Units organizations forward request letter to Business Unit Accounting Manager. Corporate Center organizations forward request letter to Treasury.
Local Office	Local Office Manager	2a. Report deposit on Monthly Report of Local Accounts.
Non-Local Office	Department Head	2b. Write accounting distribution on deposit slip and forward deposit slip to Treasury.
Business Unit Financial	Business Unit Accounting	3. Review and approve request letter.

Petty Cash Funds

Operations	Manager	Forward approved request letter to Treasury.
Treasury	Kim Sipes	4. Review and approve request letter.
Treasury	Robert Burwell	5. Update Petty Cash Funds Subsidiary Ledger. Forward copy of Petty Cash Funds Subsidiary Ledger to Accounts Payable.

Petty Cash Fund Disbursements

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department/ Local Office	Originating Employee	<p>1. After incurring an expenditure to be reimbursed from the Petty Cash fund:</p> <ul style="list-style-type: none"> • Write accounting distribution information on face of sales receipt or invoice. Write description of items purchased on sales receipt or invoice if not included. • If no sales receipt or invoice is available, prepare a Cash Voucher, including accounting distribution and description of item. <p>Forward sales receipts and invoices to Petty Cash Fund Custodian. Forward Cash Voucher for approval.</p>
Any Department / Local Office	Department Head or Local Office Manager	2. Review and approve valid Petty Cash Voucher.
Any Department / Local Office	Petty Cash Fund Custodian	3. Review and approve valid Cash Voucher. Remit Petty Cash funds to employee or vendor, as applicable. Obtain employee or vendor signature confirming cash receipt.
Any Department / Local Office	Petty Cash Fund Custodian	4. Update worksheet/log of all petty cash disbursements. File sales slips, invoices, and Cash Vouchers with applicable worksheet.
Any Department / Local Office	Petty Cash Fund Custodian	5. On an ongoing basis, verify that cash on hand plus sales slips, invoices or Cash Vouchers equals the amount of cash authorized and established in the fund. Notify department head or local office manager of any discrepancies.

Petty Cash Funds

Any Department / Local Office	Department Head or Local Office Manager	6. On a monthly basis, review and approve all disbursements from the fund.
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Reimburse Petty Cash Fund

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department / Local Office	Petty Cash Fund Custodian	1. Prepare Cash Voucher (M9300-2-R98). Attach all receipts. Forward to department head or local office manager. Maintain copy for Department records.
Any Department / Local Office	Department Head or Local Office Manager	2. Review and approve Cash Voucher. Forward approved Cash Voucher to Accounts Payable.
Accounts Payable	Carolyn White	3. Process Cash Voucher and issue check to Petty Cash Fund Custodian.

Notification of Change in Petty Cash Custodian

DEPARTMENT	RESPONSIBILITY	ACTION
Any Department / Local Office	Department Head or Local Office Manager	1. Notify Treasury and Accounts Payable of any change in department head, local office manager or Petty Cash Fund Custodian.
Treasury	Robert Burwell	2. Update Petty Cash Funds Subsidiary Ledger for change in department head, local office manager, or Petty Cash Fund Custodian. Forward a copy of Petty Cash Funds Subsidiary Ledger to Accounts Payable.
Accounts Payable	Carolyn White	3. Update Vendor file for new Petty Cash Custodian.

Training and Documents

Training:

Additional Documents:

- Guideline to Request & Reimburse Petty Cash [Attachment A]
- Cash Voucher (M9300-2-R98) [Attachment B]

- Example of Request Letter [Attachment C]

Who Should Know

- Treasurer
- Treasury
- Controller
- Assistant Controllers
- Corporate Accounting
- Accounts Payable
- Petty Cash Custodians
- Business Unit Financial Operations

Related Information

Petty Cash Funds - Attachment A



Attachment A.doc

Petty Cash Funds - Attachment B



Attachment B.doc

Petty Cash Funds - Attachment C



Attachment C.doc

Contacts

NAME	ROLE	DEPARTMENT
Kim Sipes	Manager	Treasury
Robert Burwell	Senior Analyst	Treasury
Bill Rothan	Supervisor	Accounts Payable
Carolyn White	Accounts Payable	Accounts Payable
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 07/01/02:

- Update procedure for personnel changes
- Update procedure for process change

The following revision is effective 12/01/03:

- Update procedure for personnel changes

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Petty Cash Funds Reconciliation & Analysis

Functional Area: Corporate Cash Management
Sarbanes-Oxley Category: Account Reconciliations
Process Owner: Kim Sipes
Effective Date: 11/01/00
Revised Date: 01/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower.
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page.

Policy Statement

All Balance Sheet accounts for all corporations shall be reconciled using Reconciliation and Analysis Standards as outlined in the Reconciliation & Analysis of Accounts Policy. The reconciliation shall be done on a timely basis, which is determined according to the account standards defined in the New Account Set-up & Definition (Account Standards) Policy.

Reason for Policy

- To ensure responsibility for accuracy of data within an account will be held by those closest to the transactions
- To increase control of accounts
- To clearly define ownership of accounts providing a single source of information regarding accounts

Process Flows

Process Description/Narrative

Frequently Asked Questions

Procedure

Reconcile Accounts (CoA.9)

DEPARTMENT	RESPONSIBILITY	ACTION
		<i>Note: The following process is performed monthly to reconcile all General Ledger petty cash funds accounts.</i>
Treasury	Robert Burwell	1. Verify the General Ledger balance (from FRT) agrees to the supporting subsidiary ledger worksheet of petty cash fund balances.
Treasury	Robert Burwell	2. Investigate balance differences and misposted transactions, as necessary.
Treasury	Robert Burwell	3. Create adjustments, as necessary.
Treasury	Robert Burwell	4. Update "Last Reconciled Date" field in BDMS (PBR - Accounting Data Set-up) to reflect the last period for which the account balance was verified/reconciled.

Perform Analysis of Transactions (CoA.12)

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Robert Burwell	1. Perform analysis relative to petty cash funds reimbursement requests.
Treasury	Robert Burwell	2. Perform variance analysis monthly on the General Ledger account balances, as necessary.

Perform Analysis of Financial Statements: Business Unit Review (CoA.13a)

DEPARTMENT	RESPONSIBILITY	ACTION
Business Units		1. Business Unit specific Financial Statement analysis is at the discretion of the Business Unit with the exception of minimum analysis required to support Legal Entity analysis. The extent of Legal Entity analysis will be determined on a case-by-case basis, as required.

Perform Analysis of Financial Statements: Legal Review of Regulatory Entity (CoA.13b)

DEPARTMENT	RESPONSIBILITY	ACTION
Treasury	Robert Burwell	1. Provide General Accounting information, as required, for their variance analysis.

Training and Documents

Training:

Additional Documents:

Who Should Know

- Controller
- Assistant Controllers
- Treasurer
- Treasury
- Corporate Accounting

Related Information

New Account Set-up & Definition (Account Standards) Policy

Reconciliation & Analysis of Accounts Policy

Petty Cash Funds Policy

Contacts

NAME	ROLE	DEPARTMENT
Kim Sipes	Manager	Treasury
Robert Burwell	Senior Analyst	Treasury
Erica Glenn	Senior Analyst	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revision is effective 07/01/02:

- Update procedure for personnel change

The following revision is effective 12/01/03:

- Update procedure for personnel change

The following revisions are effective 01/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Control Environment-Administrative Tax Department Communication with Financial Management

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide senior management with a sufficient understanding and awareness of the Tax Department, including, mission statement, five-year plan, staffing, 404 compliance, planning and other issues.

Reason for Policy

To ensure a protocol has been established for regular, communication regarding Tax Department goals, objectives, accomplishments and other issues with senior financial management

Process Flows

None

Process Description/Narrative

This procedure describes how the Tax Department communicates with financial management.

The Vice-President of Tax prepares bi-weekly reports, attends bi-weekly meetings, and various other meetings with upper management where tax department goals, objectives, accomplishments and other issues are discussed.

Frequently Asked Questions

Q1. Why is it important that senior financial management have an in depth understanding of the Tax Department and its inner workings?

A. An understanding of the output of the Tax Department is necessary to overall business planning and accurate financial reporting. Important future tax liabilities could be missed in the budgeting process that could negatively affect earnings per share.

Procedure Tax

Tax Department communication with management

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Alex Torok	1. Alex Torok prepares a bi-weekly report for the Vice President of finance on Tax Department accomplishments.
Tax Department	Alex Torok	2. Alex Torok attends the bi-weekly CFO meetings where the Tax Department accomplishments are discussed.
Tax Department	Alex Torok	3. Alex Torok has meetings as needed with Corporate Controller and Vice President of finance to discuss 404 compliance, staffing, department goals objectives, accomplishments and other pertinent issues.

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dave Yelton Alex Torok	4. Dave Yelton and Alex Torok author the Department's five-year budget and five-year business plan where department goals are outlined. Items such as staffing needs and training budgets are provided for. The business plan is submitted to senior management for review.

Training and Documents

Who Should Know

- Board of Directors
- Audit Committee
- CEO & CFO
- Tax Department

Related Information

Contacts

Name	Role	Department
Alex Torok	Vice President	Tax
John Lechko	Manager	Tax
Leanne Cropper	Supervisor	Tax
Dave Yelton	Manager	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect Sales & Use Tax Return & Payments State of Ohio

Functional Area : Tax
Sarbanes-Oxley Category : Tax
Process Owner : Deborah Larke
Effective Date : 02/02/98
Revised Date : 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate and timely filed State of Ohio Sales and Use Tax Returns and Payments.

Reason for Policy

To ensure procedures are in place to accurately complete and file the State of Ohio Sales and Use Tax Returns and Payments

Process Flows

Process Description/Narrative

The Tax Department is responsible for filing the Ohio indirect sales and use tax return to comply with Ohio state law. Cincinnati Gas & Electric holds a direct payment permit in Ohio and is responsible for self assessing use tax on taxable purchases for which sales tax was not paid. The use tax is calculated in the accounts payable system and the material inventory system on taxable purchases and accrued in account 236520 - accrued Ohio sales and use tax payable.

In the Tax Department the Tax Clerk runs a query of the use tax accrued for the account listed above, enters the data on the tax return and prepares a wire request. The Tax Supervisor reviews everything and signs the tax return and the wire request. After copying the return the Tax Clerk mails the return to the State of Ohio by the return due date. The Tax Clerk sends the wire request to the Treasury Department. The Treasury Department wires the amount to the State of Ohio by the return due date. The sales and use tax return is due on the 23rd day of each month for the preceding calendar month.

Frequently Asked Questions

Q1: What is the sales tax rate in Ohio?

A: The state rate is 6% but each county adds their own rate in addition to the 6%. For example Hamilton County adds 1% for a total of 7% sales tax. Contact the tax department for additional rates in other counties.

Q2: Is the CG&E company tax exempt?

A: No, CG&E holds a direct pay permit in the state of Ohio which allows them to remit any tax liability they owe directly to the state instead of their vendors.

Procedure

Procedure for preparing State of Ohio Sales & Use Tax Returns and Payments

DEPARTMENT	RESPONSIBILITY	ACTION
IT	Tim Thomas	1. Generate a report that contains a listing of sales tax calculation on current purchases and material withdrawals and distribute to Tax.

Tax Department	Patricia Colvin	2. Submit G/L queries (FRT) to obtain balances and reconcile current month activity.
Tax Department	Patricia Colvin	3. Transfer balance data into Excel worksheet, balance with G/L, and resolve special account activity.
Tax Department	Patricia Colvin	4. Generate an Excel printout of the wire payment request form.
Tax Department	Patricia Colvin	5. Fax completed wire payment request form to Treasury.
Tax Department	Patricia Colvin	6. Complete the request for payment form and hand-deliver to Accounts Payable upon approval.
Tax Department	Jim Kerr	7. Review the return, RFP, and applicable G/L accounts for accuracy.
Tax Department	Jim Kerr	8. By the 23rd of the month, review and sign the RFP and the return.
Tax Department	Debbie Roetting	9. Mail the return package by the 23rd of the month.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Director
- Tax Supervisor
- Tax Clerk
- IT
- Treasury
- Accounts Payable

Related Information

Contacts

NAME	ROLE	DEPARTMENT
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Alex Torok	Vice President	Tax
Deborah Larke	Director	Tax
Jim Kerr	Supervisor	Tax
Patricia Colvin	Clerk	Tax
Debbie Roetting	Administrative Assistant	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 09/01/05:

- Update procedure for Process Changes
- Update procedure for Personnel Changes
- Update Who Should Know
- Update Contacts
- Update policy for Process Description/Narrative



Tax Compliance-Income Ohio & KY Income/Franchise Tax Return & Payment

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to accurately compute and file state tax returns and payments.

Reason for Policy

To ensure procedures are in place to accurately file and compute state tax returns and payments

Process Flows

None

Process Description/Narrative

This Procedure covers the filing of Ohio and Kentucky Income/Franchise tax returns and payment of relevant taxes. The Tax Department is responsible for filing tax returns and paying related estimated tax payments to the states of Ohio and Kentucky. In general, the returns are required for Cinergy entities either doing business or authorized to do business in these states. Cinergy files a combined Ohio return for certain Cinergy corporate entities and divisions authorized to do business, or actually doing business, in Ohio. A consolidated state income tax return, which includes all Cinergy domestic corporate entities and divisions, is filed in Kentucky.

The process involves gathering and entering data, printing, and review of final returns. To start the process, the Analyst reviews prior year returns for any unusual items or notes that have been previously recorded.

In Ohio, the combined return is due on or before January 31. For each Ohio entity, at least one-third of the tax payment is due on or before January 31, March 31, and May 31, respectively, of the year in which the return is due. Remittance of the first estimated payment, along with filing Form FT 1120E, extends the due date of the final return to March 31. Remittance of the second estimated payment, along with filing Form FT 1120ER, extends the due date of the final return to May 31. Remittance of the third estimated payment, along with filing Form FT 1120EX, extends the due date of the final return to October 15.

To prepare Ohio estimates, the Tax Analyst obtains the yearend balance sheets and the Federal accruals for each Cinergy entity required to be included in the combined Ohio filing. An estimate of apportionment factors, along with estimates of required additions to/subtractions from Federal income, is obtained from various sources, including prior year tax returns. This information is input into a pre-formatted Excel spreadsheet, which calculates the estimated tax liability due after previous payments and credits. The estimated tax liability is input into another spreadsheet, which generates requests for payments ("RFP"). The worksheet calculating the balance due, along with RFP's are reviewed/approved by the Tax Supervisor and payments are either wired or checks are mailed (by certified mail), along with the appropriate Ohio estimate forms.

For Kentucky estimates due on June 15, September 15, and December 15, the Tax Analyst obtains the consolidated year-to-date Federal accruals; estimates any required additions/subtractions; and, applies an estimated apportionment percentage to calculate estimated Kentucky consolidated taxable income. The

Analyst annualizes this income to calculate the appropriate Kentucky tax. The prorata portion of the annualized tax is compared to payments already made to-date to come up with the estimated quarterly payment due. The Analyst prepares an RFP, and submits the estimate and RFP to the tax supervisor for approval. The Tax Supervisor reviews the estimate calculation and approves the RFP. The Analyst mails the estimate form, along with a check, to Kentucky by certified mail. On the following April 15, the Analyst estimates consolidated Kentucky taxable income, computes an annual tax, and mails any balance due to Kentucky by certified mail.

After completion of the Federal returns, and before the extended due date, the Ohio and Kentucky returns for each separate tax paying entity are prepared by utilizing the RIA tax compliance software system. The completed Federal return provides the basis from which the Ohio combined and Kentucky consolidated returns are generated. The Analyst prepares tax workpapers, including a copy of the Federal return, detail of state additions/subtractions to or from Federal taxable income, and detail of payroll, property and revenue factors used to apportion Federal income and capital to the states. The Analyst also accumulates detail for any tax credits. After reviewing these items for reasonableness, the analyst inputs or corrects these items in the RIA system. All informational questions are completed in the state input screens of the RIA system. Separate state returns are calculated and printed for each Cinergy entity required to file in the respective state. The separate returns are cross referenced to the workpapers prepared for each filing entity. All current year separate returns are compared to prior year returns for reasonableness.

Once the Tax Analyst is satisfied with the completeness and accuracy of the separate state returns, these separate returns are combined (for Ohio) or consolidated (for Kentucky) in the RIA software system. The Analyst prepares summary consolidated tax workpapers to support the amounts in the combined/consolidated state returns. The combined/consolidated state returns are cross referenced to the tax workpapers; and reference copies of the combined/consolidated returns are printed for the file. If the combined/consolidated return shows a balance due, the Tax Analyst prepares an RFP. The Tax Analyst submits the separate company and consolidated tax workpaper file to the assigned reviewer, who reviews the workpapers, the reference copy of the returns, and the RFP's. The Tax Analyst clears any reviewer points and prints a combined/consolidated return for signature of an officer. The signed returns along with any balance due are submitted by certified mail to the appropriate tax authority.

Frequently Asked Questions

Q1: Who files these returns?

A: Corporations doing business in these states.

Q2: What is the basis for the tax?

A: In KY the tax is based on taxable income apportioned to that state. In Ohio corporations pay the tax based on the higher of a net income tax or net worth tax.

Q3: What are the tax rates?

A: In KY the tax rates are graduated from 4% to 8.25%. In Ohio the net income tax rate is 8.5% and the net worth tax rate is 4.00 mill.

Procedure

Procedure for Preparing Estimate Payments - Ohio

DEPARTMENT	RESPONSIBILITY	ACTION
Corporate Accounting	Various Analysts and Senior Analysts	1. Distribute a hard copy of YE Balance Sheets for all corporations on a single entity basis to Tax by 1/31; 3/31; 5/31
Tax Department	Various Analysts and Senior Analysts	2. Distribute a hard copy of the YE Federal Accruals for all corporations on a single entity basis to Tax by 1/31; 3/31; 5/31.
Tax Department	Various Analysts and Senior Analysts	3. Transfer input data into Excel file, calculates liability, and determines payment liability by 1/31; 3/31; 5/31
Tax Department	Various Analysts and Senior Analysts	4a. Generate Excel printout of wire payment requests for Cinergy Corp.
Tax Department	Jim Kerr	4b. Review payment request for approval.
Tax Department	Various Analysts and Senior Analysts	4c. Fax completed wire payment request form to Treasury upon approval.
Tax Department	Various Analysts and Senior Analysts	4d. Complete the request for payment form and hand deliver to Accounts Payable upon approval. Note. All of these tasks completed by 1/31, 3/31, 5/31.
Tax Department	Various Analysts and Senior Analysts	5. Reconcile estimated payment to previous liability. Note: These tasks

		<i>completed by 1/31, 3/31, 5/31.</i>
Tax Department	Debbie Roetting	6. Prepare and mail payment and corresponding coupon. <i>Note: This task completed by 1/31, 3/31, 5/31.</i>
Tax Department	Various Analysts and Senior Analysts	7. Prepare JE for net worth taxes if necessary. Forward JE's to Jim Kerr for review. <i>Note: These tasks completed by 1/31, 3/31, 5/31.</i>
Tax Department	Jim Kerr	8. Review and approve JE using the PBR tool set. <i>Note: This task completed by 1/31, 3/31, 5/31.</i>

Procedure for Preparing Estimate Payments - Kentucky Companies

DEPARTMENT	RESPONSIBILITY	ACTION
Budget	Budget & Forecast Personnel	1. Distribute hard copy of current year budget for all companies.
Tax Department	Various Analysts and Senior Analysts	2. Distribute a hard copy of the YE KY Accruals for all corporations on a single entity basis.
Tax Department	Various Analysts and Senior Analysts	3. Reference KY Accrual hardcopy and calculate payment amount based on payment calendar. <i>Note: Accomplish these tasks by 6/15, 9/15, 12/15, 4/15.</i>
Tax Department	Various Analysts and Senior Analysts	4. Complete the request for payment Cinergy for and hand deliver to Accounts Payable upon approval. <i>Note: Accomplish this task by 6/15, 9/15, 12/15.</i>
Tax Department	Jim Kerr	5. Reconcile estimated payment and give to appropriate personnel to sign RFP. <i>Note: Accomplish this task by 6/15, 9/15, 12/15 & 4/15.</i>
Tax Department	Various Analysts and Senior Analysts	6. Prepare and mail payment and corresponding coupon. <i>Note: Accomplish this task by 6/15, 9/15, 12/15.</i>
Tax Department	Various Analysts and Senior Analysts	7. Prepare any required JE for payments. Forward these JE's to Jim Kerr for approval by 6/15, 9/15, 12/15.
Tax Department	Jim Kerr	8. Review and approve JE using the PBR tool set by 6/15, 9/15, 12/15.

Procedure for Preparing Returns - KY Extension

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Various Analysts and Senior Analysts	1. Calculate liability based on YE KY Accrual by 4/15.
Tax Department	Jim Kerr	2. Complete the request for payment and hand deliver to Accounts Payable by 4/15.
Tax Department	Jim Kerr	3. Reconcile payment to YE liability and sent to John Lechko to approve RFP by 4/15.
Tax Department	Various Analysts and Senior Analysts	4. Prepare KY extension request form by 4/15.
Tax Department	Debbie Roetting	5. Mail KY extension form, payment and copy of Federal extension by 4/15.

Procedure for Determine Apportionment Factors

DEPARTMENT	RESPONSIBILITY	ACTION
Payroll	Marian Felix	1a. Generate an Excel file that details payroll by company by state for the year and distribute to Tax. <i>Note: Distribute a copy of the 941's also.</i>
Tax Department	Gregg Scott	1b. Provide completed copy of Ohio, Kentucky, Indiana Property, and other states Returns to Tax by 7/1.
Treasury/ Tax Department	Treasury/Tax personnel	1c. Generate an Excel file that details lease payments by company and distribute to Tax.
Bulk Power	Terry Leake	1d. Generate an Excel file that details Bulk Power revenues by company by state and distribute to Tax.
RBU	Various Personnel	1e. Generate an Excel file that details regulated revenue by company by state and distribute to Tax.
Non-Regulated Businesses	Various Personnel	1f. Generate an Excel file that details Non-regulated companies revenue by company by state and distribute to Tax.
Tax Department	Analyst, various	1g. Reconcile G/L for applicable revenue accounts for all companies and determine their applicable activity.
Tax Department	Analyst, various	1h. Reference YE Balance Sheets and review the detail of asset accounts by state excluding the property and cash

		accounts.
Legal	Public Folders	1j. Document the list of Cinergy corporate officers in a Word format and post on public folders in Microsoft outlook.
Tax Department	Analyst, various	2. Calculate apportionment factors by entering input data into RIA which automatically calculates the factors.

Procedure for Filing the Return

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Analyst, various	1. Refresh the Federal Income Return data and copy into the State Return Module for applicable companies ASAP.
Tax Department	Analyst, various	2. Generate printout of completed return from RIA and forward to the reviewer ASAP.
Tax Department	Jim Kerr	3. Review completed return and reconcile against estimated liability.
Tax Department	Alex Torok	4. Review completed return and sign returns.
Tax Department	Analyst	5. Copy returns and prepare mail package.
Tax Department	Debbie Roetting	6. Mail return package by 10/15.

Training and Documents

Who Should Know

- Vice President Tax
- Senior Analyst
- Tax Analyst
- Tax Supervisor
- Tax Administrative
- Corporate Accounting
- Budgeting
- Payroll
- Treasury
- Bulk Power
- RBU
- CBU
- Legal

Related Information

Request for Payment - Accounts Payable

Contacts

Name	Role	Dept
Jim Kerr	Supervisor	Tax
Debbie Roetting	Administrative	Tax
Alex Torok	Vice President	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

PBR Tool Set - Planning, Budgeting, Reporting tool for journal entry input

RIA - Corporate Tax Compliance System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update procedure for process change
- Update procedure for personnel change
- Update Who Should Know
- Update Contacts
- Update policy for Process Description/Narrative
- Update policy for Process Flows



Tax Compliance-Income Ohio Fixed Asset Processing

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 01/01/99
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide accountability for the fixed capital assets of CG&E and its subsidiaries for federal income tax purposes. Included are the maintenance of a book to federal income tax base reconciliation and the calculation of federal income tax depreciation, normal federal income tax depreciation, AMT depreciation, ACE depreciation, E&P depreciation, gains and losses, federal and state deferrals, and the investment tax credit amortization.

Reason for Policy

To ensure the corporation is in compliance with the rules and regulations of the Internal Revenue Code as well as various other regulatory agencies while maximizing the optimal tax benefit for Cinergy

Process Flows

See attached Federal Return Flow Chart



Federal Return.vsd



Federal Return.ppt

Process Description/Narrative

This process covers the tax return portion of the tax depreciation process and relies on the tax depreciation process (see Tax Compliance-Income Tax Depreciation policy) for the assignment of the appropriate tax depreciation methods, lives, and conventions to assets acquired and recorded as Property, Plant, and Equipment (PP&E). The process starts with identification of new projects or the transfer of asset additions from the Power Plant System (book PP&E software module) to the Power Tax System (tax PP&E software module). Tax Personnel may also consult with associates in Fixed Asset Accounting and Business Units to obtain a clear understanding of new assets. Tax personnel will then review various tax resources to determine the proper tax treatment of an asset.

Having established the proper tax treatment for an asset the analyst will then update the Power Tax software to add the asset to an existing tax class or establish a new tax class. The Power Tax software is programmed to properly track the tax depreciation based on the method, life and convention assigned to a particular tax class and vintage. A Supervisor or Manager will review the update process to confirm proper application of tax depreciation rules.

The Tax Analyst and/or Supervisor will issue various data requests to Fixed Assets, Treasury, Tax Compliance, and other relevant departments for rate changes, information on capital leases, and other non-standard asset acquisition information for incorporation into the tax depreciation calculations.

The Analyst and Supervisor review Power Tax system reports for errors and omissions and to balance the transfer of data from the Power Plant system to ensure that all asset transactions have been successfully included in Power Tax.

For assets which are currently maintained outside of the Power Tax software (typically these assets are also tracked outside of the Power Plant software and involve assets owned by small Cinergy subsidiaries) the Analyst and Supervisor perform essentially the same steps by updating and/or creating and reviewing excel spreadsheets to track the method, life and convention for the particular tax class and vintage.

After the tax depreciation reports or schedules have been prepared and reviewed, tax return forms and schedules are prepared using system generated reports (or manual excel spreadsheets for assets tracked outside of Power Tax). These tax return forms and schedules are reviewed for consistency with the supporting documentation.

The actual tax return activity is compared to the accrual adjustments recognized for the accounting period. A book-to-return (adjustments-to-actual) adjustment is prepared by the Analyst, reviewed by the Supervisor and then passed on to another Tax Accounting Analyst to be recognized through updates to the tax module (see Tax Accounting-Income Adjustments to Actual (Book to Return) policy) for more details on the adjustment to actual process).

In addition to the annual accrual and return processes, budget and long-range forecast input is determine for the existing Cinergy asset base as of a specific point in time (typically a roll-forward of data to the end of the current accounting period, for example December 31st). In a manner similar to the data gathering process for the tax return preparation, the Analysts and Supervisor work to obtain the necessary information to calculate tax depreciation for both a two-year budget and a 5-year long range plan. The forecasting is limited to the large regulated companies (CG&E, ULH&P, and PSI) and select large non-regulated companies. Both Power Tax reporting and manually prepared excel spreadsheets are used in developing the forecasts. These reports are prepared and reviewed within the Tax Accounting group.

Frequently Asked Questions

Q1. Are there differences between an asset's book base and its federal income tax base?

A. Due to differences between Generally Accepted Accounting Principles and the Internal Revenue Code there are basis adjustments between the book and federal income tax bases of an asset. Most of the adjustments are the result of the timing of the capitalization or deductibility of various components and overhead items.

Q2. What are some of the differences between book base and federal income tax base?

A. The major difference between book base and federal income tax base is the treatment of the allowance for funds used during construction (AFUDC) and Interest Capitalized. For book purposes these costs are included in the costs charged to construction. For federal income tax purposes, these costs are not to

be capitalized and must be reversed out of the book base to arrive at the federal income tax base. Other items of difference between book and federal income tax treatment include post-employment benefits, post-retirement health care benefits, and pension costs (FAS112, FAS106, and FAS87 costs). There are certain other items, such as construction period interest (tax interest capitalized) and CIAC that are capitalized for federal income tax purposes but not for book purposes.

Q3. How is the federal income tax depreciable life of an asset determined?

A. The IRS Code dictates the federal income tax depreciable life of an asset is based on its categorization into an asset class. Thus, the following must be determined for each asset: 1) what type of property it is, 2) how it will be used, and 3) what federal income tax asset class it belongs to.

Q4. Can the use of a specific asset have an effect on its classification for federal income tax purposes?

A. For certain types of assets, its classification can be dependent upon the intended use of the property.

Q5. Is the depreciation calculated the same for all assets?

A. The calculation of federal income tax depreciation is not the same for all assets. In fact, the same asset could be depreciated differently dependent upon its use, the year it went in service, what company owns it, and even how the asset was financed.

Q6. How are leases handled for federal income tax purposes?

A. A determination has to be made as to what type of lease is involved. A lease may be classified as either an operating lease or a capital lease. The classification does not necessarily have to be the same for both book and federal income tax purposes. Under an operating lease, the company does not have the benefits of ownership, whereby, with a capital lease, depreciation or amortization must be calculated.

Procedure

Procedure for processing Ohio Fixed Assets

DEPARTMENT	RESPONSIBILITY	ACTION
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Fixed Asset Accounting	Jim Dean	1. Generate and forward documents and Journal Entries on sale of non-depreciable property to Tom Hunt by the 15 th of every month.
Treasury	Larry Riffe	2. Provide copies of appropriate (capital) leases and corresponding data whenever new applicable leases are entered into.
Tax Department	Tom Hunt Denny Wulker	3. By February 15 th of the year following the return year, process the interface conversion between Power Plant and Power Tax and balance such data.
Fixed Asset Accounting	Brenda Melendez	4. Generate and distribute new book composite rate schedules by February 15 th of each year.
Fixed Asset Accounting	Brenda Melendez	5. Generate and distribute new common allocation schedules by February 15 th of the following year.
Tax Department	Tom Hunt Denny Wulker	6. Manually update the Power Tax system with new rate procedures by March 1 st of the year following the return year.
Tax Department	Tom Hunt Denny Wulker	7. By March 15 th , review and enter the converted book data into the Power Tax system.
Fin. Op. - R.B.	Don Storck Betsy Beck	8. Generate and distribute initial clearing cost on rights of way report by company to Tom Hunt/Denny Wulker by March 15 th of the year following the year of return.
Tax Department	Brett Faris	9. Generate and provide schedules that show the meters, transformers, and installation cost adjustments for tax purposes by company by March 15 th of the following year.
Tax Department	Tom Hunt Denny Wulker	10. Generate and distribute a report showing percent of transportation costs capitalized for the prior year by March 15 th of the following year.
Transportation	Tom Rasp	11. Generate and distribute report detailing basis, principle payments, and in-service dates of leased vehicles to Tom Hunt/Denny Wulker by March 15 th of the year following the return year.
Tax/Transportation	Brett Faris	12. Generate and distribute list of

		vehicles converted to compressed natural gas in the prior year to Tom Hunt/Denny Wulker by March 15 th of the following year.
Tax Department	Tom Hunt Denny Wulker	13. Manually convert the various schedule M's from accounts and operating functions into the Power Tax functions by April 15 th of the year following the return year.
Tax Department	Tom Hunt Denny Wulker	14. By May 1 st of the year following the year of the return, manually review and enter this converted data into the Power Tax system by updating various internal procedures and input screens within the system.
Tax Department	John Lechko	15. By June 15 th of the year following the return year, provide any audit, RAR, other prior year adjustments, or other Schedule M's to be incorporated into the Power Tax calculations for return purposes.
Tax Department	Tom Hunt Denny Wulker	16. By August 15, generate and distribute to the Tax Dept. the necessary reports and forms to be used in the federal and state income tax returns for the prior year.
Tax Department	Tom Hunt Denny Wulker	17. By November 15 th of each year, generate the adjustments to actual for the accruals based on the latest return filed and what was booked for the prior year accruals.

Accrual Processing

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dave Yelton	1. Using current year budget, the Tax Department determines current year estimates for accruals.

Forecast Processing

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tom Hunt Denny Wulker	1. During September - October (once prior year return is complete), execute Power Tax for budget purposes.
Budgets & Forecast	Sam Scherschel	2. During September - October,

Tax Compliance-Income Ohio Fixed Asset Processing

		distribute remaining current year estimates for additions and retirements for the base case database.
Tax Department	Tom Hunt Denny Wulker	3. Convert budget data to Power Tax functions and manually enter into system. Process Power Tax system and develop a current year base case to be used for the 10 year forecast.
Budgets & Forecast	Sam Scherschel	4. At least 45 days prior to the due date of the 10 year forecast, distribute latest known estimates for retirements by company, vintage, and function for the 10 years forecasted.
Tax Department	Tom Hunt Denny Wulker	5. Develop salvage by using a three year average. Budgets & Forecast develops the Cost of Removal.
Budgets & Forecast	Sam Scherschel	6. At least 15 days prior to the due date of the 10 year forecast, distribute the latest known estimates of book depreciation by company and function, with Zimmer stated separately for all forecasted years.
Tax Department	Dave Yelton	7. Forward the effective income tax rate by Company to be utilized for deferred taxes to Fixed Asset Accounting.
Tax Department	Tom Hunt Denny Wulker	8. Convert and manually enter converted data into Power Tax system. Process the system to generate a 10 year forecast.
Tax Department	Tom Hunt Denny Wulker	9. By due date of the 10 year forecast, provide Budgets & Forecast the required depreciation and deferrals calculated within the Power Tax system for the 10 year forecast.

Year End Accruals

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tom Hunt Denny Wulker	1. By year-end closing, forward to the Tax Dept. the required depreciation and deferral reports necessary for the year-end accruals. These reports may be generated from the current 10 year forecast base case or a more current case. Generate adjustments for final quarter/ month variances as

necessary.

Training and Documents

Training:

- Internal Revenue Service Code of Rules and Regulations
- Code of Federal Regulation, Conservation of Power and Water Resources, #18
- Roscoe Mainframe Application
- FTP file transfers
- Power Tax System
- Power Plant System
- Federal and Jurisdictional Regulatory Requirements
- Microsoft Office Software
- SQL

Additional Documents:

- BDMS 3.0

Who Should Know

- Tax Department/Vice President Tax
- Fixed Asset Accounting
- Budgets & Forecast
- Transportation
- Treasury
- Regulated Businesses Financial Operations

Related Information

Tax Compliance Income Indiana Fixed Asset Processing Policy

Tax Compliance Income Tax Depreciation Policy

Contacts

NAME	ROLE	DEPARTMENT
Dennis Wulker	Coordinator	Tax
Brenda Melendez	Manager	Fixed Assets
David Yelton	Manager	Tax
Tom Hunt	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Federal income tax depreciation - Actual depreciation allowed to be deducted on the corporation's federal income tax return

Normal federal income tax depreciation - Straight line depreciation on an adjusted federal income tax base using composite book depreciation rates

AMT depreciation - Alternative Minimum Tax depreciation

ACE depreciation - Adjusted Current Earnings depreciation

E&P depreciation - Earnings and Profit depreciation

Deferrals - Tax effect of accelerated tax depreciation over either book depreciation or normal depreciation

CIAC - Contributions in Aid of Construction

Power Tax - The PC based computer system used to calculate and maintain the various types of depreciation, their accumulated reserves, and any related deferred taxes

Cost of Removal - Charges to the book depreciation reserve for the cost required to remove a unit of property from service; these charges are expensed for income tax purposes

Salvage - Any remuneration received on the disposition of property

Schedule M's - These are items that create differences between the book depreciable base and the federal income tax depreciable base; these items are capitalized for either book or federal income tax depreciation, but not for the other

Construction Period Interest - Interest costs that have been paid or incurred during construction that is applicable to real or tangible long lived personal property; it must be capitalized for federal income tax purposes

RAR - Revenue Agent Adjustment

Revisions

The following revisions are effective 01/01/04:

- Update procedure for personnel changes
- Update procedure for process changes
- Update who should know
- Update contacts

The following revisions are effective 04/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative
- Update policy for Process Flows

The following revision is effective 09/01/05:

- Update procedure for personnel changes



Tax Systems-Income Schedule L-2 Federal Income Tax Return

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide in-house tax systems that are accurate and in a form needed by the Tax Department.

Reason for Policy

To ensure procedures are in place to ensure that content in in-house tax systems are accurate and in a format needed by the tax department

Process Flows

None

Process Description/Narrative

Schedule L-2 summarizes adjustments on the return and compares them to accruals. Current year and prior year adjustments will be shown for reviewer comparison purposes. The Schedule L-2 is also used in preparing the adjustments to actual after the return has been filed.

The accrual column can be completed before the return is completed by entering the amounts from the tax calculation (from BDMS Closing reports). After these amounts are entered the accrual should tie out to the "Total of Schedule M Items" line at the bottom of the L-2 verifying all amounts were entered correctly.

Upon completion of all analysis for Schedule M's, these amounts are entered into the L-2 for the entity. In some cases these amounts automatically pull from the schedule L-1. Once all M's have been entered, the analyst will be able to verify the accuracy by tying out total Schedule M's at the bottom of the L-2. A secondary check can then be made by taking the difference between the book income from the LER and the taxable income from the L-1. The difference should equal the total Schedule M items reported on the L-2.

A final Form L-2 should be referenced with who prepared, date and time prepared, filename, and be signed off by the preparer. All final Form L-2s should also have reviewer's initials signifying completed review. A cell with file path should also be included for easy document retrieval.

Frequently Asked Questions

Q. What is the result of failing to review in house tax systems?

A. A failure to review in-house tax systems can lead to inaccurate output data that results in over or under reporting of income on the federal tax return.

Procedure

Procedure for Schedule L-2

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	1. The L-2 is used to tie out the adjustments on the return to the accruals and reconcile them accordingly. More importantly it is used in preparing the adjustments to actual after the return has been filed.

Tax Systems-Income Schedule L-2 Federal Income Tax Return

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	2. The accrual part of the L-2 can be completed before the return is started; by entering the amounts from the tax calculation (from BDMS Closing reports).
Tax Department	Tax Analysts, various	3. After these amounts are entered they should tie out at the bottom of the L-2 to verify all amounts were entered correctly.
Tax Department	Tax Analysts, various	4. Once all M's are completed or as they are completed the amounts should be entered into the L-2. The L-2 reports the adjustments broken out by Gas, Electric or Non-utility.
Tax Department	Tax Analysts, various	5. Once all M's are completed, the Analyst should be able to verify the accuracy by tying out total schedule M's at the bottom of the L-2.
Tax Department	Tax Analysts, various	6. A secondary check can then be made by taking the difference between the book income from LER and the taxable income from the L-1. The difference should equal the total schedule M items reported on the L-2.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Managers
- Tax Supervisors
- Senior Analysts/ Analysts

Related Information

Contacts

Name	Role	Dept
Alex Torok	Vice President	Tax
Jim Kerr	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect Sales & Use Tax Returns & Payments State of Kentucky

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate and timely filed State of Kentucky Sales and Use Tax Returns and Payments.

Reason for Policy

To ensure procedures are in place to accurately complete and file the State of Kentucky Sales and Use Tax Returns and Payments

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for filing the Kentucky sales and use tax returns to comply with Kentucky state law. Cincinnati Gas & Electric (CG&E) and Union Light, Heat & Power (ULH&P) each hold a Kentucky direct payment permit and are responsible for self assessing use tax on taxable purchases for which sales tax was not paid. The use tax is calculated in the accounts payable system and the material inventory system on taxable purchases and accrued in account 236530 - accrued Kentucky sales and use tax payable for both CG&E and ULH&P. Sales tax is incurred when taxable property is sold or taxable services are performed in a state or county. Sales tax is charged on taxable sales in the customer billing system and accrued in account 241110 - sales tax payable to Kentucky.

In the Tax Department the Tax Clerk runs a query of the sales and use tax accounts listed above for both CG&E and ULH&P, enters the data on the tax returns and prepares the wire requests. The Tax Supervisor reviews everything and approves the tax returns and wire requests. After copying the returns the Tax Clerk mails the return to the State of Kentucky by the return due date and sends the wire requests to the Treasury Department. The Treasury Department wires the amounts due to the State of Kentucky by the return due date. The sales and use tax return is due on the 25th day of each month for the preceding calendar month.

Frequently Asked Questions

Q1: What is the sales tax rate in Kentucky?

A: The tax rate in Kentucky is 6%.

Q2: Are ULH&P and CG&E tax-exempt companies?

A: No, they hold a direct pay permit in the state of Kentucky, which allows them to remit any tax liability they owe directly to the state instead of their vendors.

Procedure

Procedure to prepare Kentucky Sales & Use Tax Returns and Payments

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Patricia Colvin	1a. Generate a copy of CSS & CMS

		detail report that contains revenue and tax calculated, exempt customers and charge offs, recoveries, and unaccountable taxes. <i>Note: Generate this information by the 10th working day.</i>
IT	Tim Thomas	1b. Generate a report that contains a listing of sales tax calculation on current purchases and materials withdrawals. <i>Note: Distribute this information to Tax by the 10th working day.</i>
Tax	Patricia Colvin	1c. Submit G/L queries (FRT) to obtain balances and reconcile current month activity by the 14 th working day.
Tax	Patricia Colvin	2. By the 14 th working day, transfer balance data into Excel worksheet, balance with G/L, and resolve special account activity.
Tax	Patricia Colvin	3a. By the 14 th working day, generate an Excel printout of the wire payment request form.
Tax	Patricia Colvin	3b. Fax completed wire payment request form to Treasury.
Tax	Patricia Colvin	4. By the 14 th working day, complete the request for payment form and hand-deliver to Accounts Payable upon approval.
Tax	Cody Cain	5. By the 14 th working day of the month, review return and supporting worksheet, RFP, and applicable G/L accounts for accuracy.
Tax	Jim Kerr	6. By the 25 th of the month, review and sign the RFP and the completed return.
Tax	Debbie Roetting	7. By the 25 th of the month, mail the return package.

Training and Documents

Who Should Know

- Supervisor Tax

- Tax Senior Analyst / Analyst
- Tax Clerk
- Tax Administrative
- IT
- Treasury
- Accounts Payable

Related Information

Contacts

Name	Role	Department
Jim Kerr	Supervisor	Tax
Patricia Colvin	Clerk	Tax
Cody Cain	Senior Analyst	Tax
Debbie Roetting	Administrative	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

- CMS- Customer Management System
- CSS - Customer Service System
- Exempt Customers - Customers who are not required to pay tax
- Charge-offs - Elimination of Unpaid Accounts
- Recoveries - Receipt of payment of previously charged off account
- Unaccountable Taxes - The difference between tax calculation on total utility sales and individual accounts due to rounding.

Revisions

The following revisions are effective 01/01/04:

- Update procedure for Process Changes
- Update procedure for Personnel Changes
- Update Who Should Know
- Update Contacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect Vendor Sales & Use Tax Returns & Payments State of Ohio

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate and timely filed State of Ohio Sales and Use Tax Returns and Payments.

Reason for Policy

To ensure procedures are in place to accurately complete and file the State of Ohio Sales and Use Tax Returns and Payments

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for filing the Ohio vendor sales and use tax returns to comply with Ohio state law. Sales tax is incurred when taxable property is sold or taxable services are performed in a state or county. Sales tax is charged on taxable sales in the customer billing system and accrued in account 241110 - sales tax payable to Ohio.

In the Tax Department the Tax Clerk runs a query of the sales tax accrued in the account listed above and enters the data onto the tax return and prepares a check request. The Tax Supervisor reviews everything and signs the tax return and the check request. After copying the return and the check (issued by accounts payable) the Tax Clerk mails the return and check to the State of Ohio by the return due date. The sales tax return is due on the 23rd day of each month for the preceding calendar month.

Frequently Asked Questions

Q1: What is the sales tax rate in Ohio?

A: The state rate is 6% but each county adds their own rate in addition to the 6%. For example Hamilton County adds 1% for a total of 7% sales tax. Contact the Tax Department for additional rates in other counties.

Q2: What is a Vendor's License?

A: A vendor's license permits a company to make sales or perform taxable services in a particular state or county. We collect tax from our customers and then remit it to the state through our vendor's license return.

Procedure

Procedure to prepare State of Ohio Vendor Sales & Use Tax Returns and Payments

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Cody Cain Patricia Colvin	1. Submit query to BDMS to obtain activity and Ohio sales tax collected and charged to the 241110 account by County.
Tax	Patricia Colvin	2. Transfer input data to return form, calculate gross sales tax, balance amount owed to amount collected,

		and complete return.
Tax	Patricia Colvin	3. Complete the request for payment form and hand-deliver to Accounts Payable upon approval.
Tax	Cody Cain	4. Review worksheet/return, RFP, and applicable G/L accounts for accuracy.
Tax	Jim Kerr	5. By the 23 rd of the month, review and sign the RFP and the return.
Tax	Debbie Roetting	6. Compile and mail the return package by the 23 rd of the month.

Training and Documents

Who Should Know

- Tax Supervisor
- Tax Senior Analyst
- Tax Clerk
- Accounts Payable

Related Information

Contacts

Name	Role	Department
Jim Kerr	Supervisor	Tax
Patricia Colvin	Clerk	Tax
Cody Cain	Senior Analyst	Tax
Debbie Roetting	Administrative	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

G/L Account 241110 - Sales Tax Collected and Payable

Gross Sales Tax - Total Sales Tax

Revisions

The following revisions are effective 01/01/04:

- Update procedure for Personnel Changes
- Update procedure for Process Change
- Update Who Should Know
- Update Contacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative

CINERGY®

Tax Compliance-Income Elections, Statements, Forms & Disclosures

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to make complete, accurate, and timely filing of the federal income tax return.

Reason for Policy

To provide for procedures to ensure all elections, statements, forms and disclosures are included with the federal tax return when it is filed

Process Flows

See attached Federal Return Flow Chart.



Federal Return.vsd



Federal Return.ppt

Process Description/Narrative

The process for elections and statements is an important part of the federal return preparation because it allows Cinergy to make necessary elections or notify the Internal Revenue Service of any significant transactions that require disclosure. The process for preparing elections and statements starts by reviewing the prior year's elections and statements so that all necessary statements are carried forward. Checklists in the 1120 deskbook and the CCH toolkit for elections and statements are also reviewed for any new legislation or elections that may have not been necessary in the past. These lists are sent to Tax supervisors, preparers, Tax managers and Tax plant for review, in order to get input on the necessary statements or elections that need to be prepared. The return preparer is the most informed analyst with regard to the individual returns, and has primary responsibility to identify new elections and statements.

Copies of the prior year elections and statements, as well as the checklists, are included in the current year election and statement binder. The preparer will also evaluate the quarterly lists of company organizational structure to determine if any entities have been created or dissolved in the year which would require a statement. If any new companies have been created, the legal department will provide the supporting information necessary to prepare the statement.

Any new elections and/or statements that are identified as a result of this review will be discussed with the responsible party to gather any supporting information.

Once the information is gathered, the preparer will draft all elections and statements. The Tax supervisor will then review them for accuracy and completeness, and determine whether all necessary statements & elections have been included.

Frequently Asked Questions

Q1. What is the result of filing an incomplete federal tax return?

A. A failure to file a complete federal tax return could result in substantial penalties to the corporation, and lost opportunities to reduce future federal income tax liabilities.

Procedure

Procedure for identifying elections, statements, disclosures, and forms to be included in the federal tax return

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Vice President, Tax Manager, Supervisors, Senior Analyst, Analysts, various	1. Receive information from business units and legal on corporate activity. For example, corporate dissolutions and incorporations.
Tax Department	Supervisor, Senior Analyst, Analysts, various	2. At year-end, various Tax Department personnel discuss with Tax supervisors, corporate activity for the year. Supervisor reviews all legal notices from the year and corporate organization chart from the year to determine corporate activity.
Tax Department	Becky Arbino	3. Analyst reviews prior year returns, statements and elections, checklists, trade publications and current tax laws to determine the statements and elections to include with the current year return.
Tax Department	Becky Arbino	4. Analyst drafts all statements and elections to be included in the return and performs a self-review. Copies are made of the statements and elections and are included with the current years return work papers. Next, the assigned reviewer reviews Statements and Elections. (Varies) Statement and Elections are then integrated with the final return.
Tax Department	Brett Faris	5. Supervisor determines all necessary forms to include with the return.
Tax Department	Alex Torok	6. As needed, Vice President reviews company transactions, and determines through various resources, if they need to be disclosed in the Federal Tax Return. All elections, statements, forms and disclosures have a final review by Alex Torok before the return is filed.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Director
- Tax Managers

- Tax Supervisors
- Senior Analysts/Analysts

Related Information

Tax Compliance Income Consolidated Federal Return Policy

Contacts

Name	Role	Department
Alex Torok	Vice President	Tax
Becky Arbino	Analyst	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective for 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative
- Update policy for Process Flows



Tax Compliance-Income Consolidated Federal Return

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to make a complete, accurate, and timely filing for the federal income tax return.

Reason for Policy

To ensure procedures are in place to accurately prepare, complete and file the federal tax return

Process Flows

See attached Federal Return Flow Chart



Federal Return.vsd



Federal Tax
Return.ppt

Process Description/Narrative

This Procedure covers the filing of all Federal Income Tax Returns. The process involves gathering and entering data, printing, and review of final returns.

To start the process an Analyst reviews prior year returns for any unusual items or notes that have been recorded. The current year 10k will be reviewed with particular attention paid to notes highlighting significant changes to balance sheet accounts, legal matters, contingencies, and forward looking statements, for tax consequences. The monthly accounting closing issue list will also be reviewed and any items which may impact federal income taxes will be investigated.

The Analyst will then obtain the final G/L from PBR through a query. Certain items such as LER, dividends, taxes, and BIBT will be summarized at the bottom of the worksheet with BIBT cross-referenced to the Tax Module. Balance sheet accounts and income accounts are summed. This is done to verify the balance sheet balances and that no accounts have been excluded from the report.

Accounts are then reviewed to determine if all material adjustments have been accounted for. Materiality will vary from entity to entity but materiality is typically set at the lesser of 5% or \$500,000. This is a general guideline to determine which accounts are subject to additional review. The preparer will also subjectively look at the individual accounts, as certain accounts such as reserves and prepaids are more likely to generate a book/tax difference. Particular attention will be paid to new accounts. A brief explanation will be written for each adjustment and its corresponding account(s) if there is a material variance from accrual. This description will describe why the variance occurred. For certain entities an analysis is prepared detailing the largest adjustments for the past three years.

Next the Analyst will prepare M workpapers. The procedure for completing individual schedule M adjustments makes up the majority of the federal return preparation process. Each adjustment has its own distinct process. Documentation and guidance on the individual tax adjustments can be found under the corresponding M tab for each entity. A federal income tax return information request will be sent out for miscellaneous M adjustments. This will request all information that is maintained outside the tax department. Therefore, some M's will not be able to be completed until this information is received. When M workpapers or other workpapers in the return are finalized, the preparer will sign off and date the workpaper to notify the reviewer that the preparation process is complete and the item is ready for review. All M adjustments will be carried to the L-1, L-2, and Master L-1 schedules.

The Analyst will then enter return data into RIA InSource the tax compliance software. After all adjustments have been entered the Analyst verifies that the return is in

balance. The return must be in balance before moving on to any more adjustments or entering depreciation into the system. The Analyst agrees form 1120, pg. 4, schedule M taxable income to the individual entity L-1 and the Master L-1. Once the final return has been prepared and printed, the preparer will forward the return to the assigned reviewer for review and sign off.

The reviewer will review the prior year return for any carry forward notes pertaining to the current year. The reviewer will read the filed 10K with particular attention paid to notes highlighting significant changes to balance sheet accounts, legal matters, contingencies, and forward looking statements for tax consequences. Monthly accounting closing issue list will also be reviewed and any items which may impact federal income taxes will be investigated. Next the reviewer will review the balance sheet and income statement and all explanations for significant variances documented by the preparer, materiality, risk analysis workpapers, and new accounts. Next, the reviewer reviews schedule M adjustments. This is the most significant portion of the review process. Each individual tax adjustment is reviewed for completeness, consistency, cutoff, accuracy and variance from accrual. The underlying transaction originating the M is reviewed to ensure that a current year tax adjustment is reviewed in connection with the balance sheet review and new account review to ensure completeness. As changes to accruals are identified, the issues are to be communicated with the tax accounting group so that monthly accruals can be updated to reflect the changes. Any errors or corrections identified as part of this review process are communicated to the preparer on the green "Reviewer Point Sheets." The preparer will re-analyze the identified issues and make the necessary corrections, and then re-submit the tax adjustment to the reviewer. This process will be repeated until the tax adjustment is satisfactorily completed. When the review of the individual tax adjustments is complete, the review is acknowledged with signoff and date. The reviewer will then review the L-1 and L-2 and signoff and date each when complete. Once the reviewer has determined that the return is accurate and complete, the reviewer will sign off and date. The reviewer is always independent of the preparer.

Upon completion of the review, the tax return and all related tax workpapers will be filed in the binder in corporate entity number order. These workpapers are then made available to the Vice President of Taxation during review of the finalized consolidated return.

Frequently Asked Questions

Q1. What is the impact of failing to periodically review the procedures and processes to prepare the federal return?

A. A failure to review and update the procedures and processes of preparing the federal return could result in improper preparation, which could result in substantial

misstatement of current and deferred tax liabilities on the company financial statements.

Procedure

Procedure for preparing the federal return

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Becky Arbino Brian Neiheisel	1. Analyst reviews prior year return for any unusual items or notes that have been made.
Tax Department	Becky Arbino Brian Neiheisel	2. Analyst reads the current year 10k and looks for items that could have a tax impact. Analyst reviews notes that highlight significant changes to balance sheet accounts; reviews legal matters, contingencies, and forward-looking statements for tax impact.
Tax Department	Becky Arbino Brian Neiheisel	3. Analyst reviews monthly accounting closing issue lists and investigates any items that may impact the federal tax return.
Tax Department	Becky Arbino Brian Neiheisel	4. Analyst prints out the G/L in PBR, by selecting his/her company and leaving the account constraints blank. A two year comparison will need to be used so the ending balance for the last month of the current year, and the last month of the prior year will be what is shown on the G/L.
Tax Department	Becky Arbino Brian Neiheisel	5. Analyst opens PBR and runs an FRT Ad-Hoc Query. He/she uses SUM_ACCTBAL and RPT_ACCT as the Data Tables to use for the query. Choose ACCTNO, ACCOUNTTYPE, ACCTDESCL, BALMT, CORPCD, and ACCTPER as the fields. Join field ACCTNO and CORCD. Select the period field equal to 200112 and 200212 and the corp. field equal to the specified corp.
Tax Department	Becky Arbino Brian Neiheisel	6. Next, the Analyst creates the finalized query by dragging down the ACCTNO, ACCOUNTTYPE, ACCTDESCL, and ACCTPER into the table as columns from left to right. Within the ACCTPER columns, create a "Difference" column by

DEPARTMENT	RESPONSIBILITY	ACTION
		subtracting 200112 from 200212 (grand total can either be hidden or deleted). Also, create a "W/P Ref" column to cross-reference with Schedule M items.
Tax Department	Becky Arbino Brian Neiheisel	7. At the end of the query, create a listing of LER income (loss), Dividends declared, taxes, and BIBT. LER income= tax impicator code (taximpcd) 1,-1 and-2. Dividends declared= description of dividends declared on common stock. Taxes=federal/state income taxes. BIBT= LER income (loss), dividends declared, and taxes = federal/state income taxes. BIBT= ler income (loss), dividends declared, and taxes combined.
Tax Department	Becky Arbino Brian Neiheisel	8. The Analyst Cross-references BIBT to the Tax Module. And also adds ler income (loss) and dividends declared to cross-references to L1 and the Tax Module.
Tax Department	Becky Arbino Brian Neiheisel	9. The balance sheet accounts, as well as the statements are summed and verified that they balance, and no accounts have been excluded from the report.
Tax Department	Becky Arbino Brian Neiheisel	10. The Analyst prints out the balance sheet, this is done by eliminating all the income statement accounts (account type ie and ir) from the general ledger. Balance sheet accounts can be verified by account types BA, BL, and BR. Then the balance sheet analysis is done.
Tax Department	Becky Arbino Brian Neiheisel	11. The Analyst analyzes the balance sheet. The Analyst creates a "change" column next to the year-end balance column to compare current year to prior year.
Tax Department	Becky Arbino Brian Neiheisel	12. The Analyst determines a material amount that will be subject to additional review. (Since changes can be positive or negative, the absolute value of the change must be determined. Materiality will vary from entity to entity, but is typically set at the lesser of 5% or \$500,000. Note: This is a general guideline to determine which accounts are subjected to additional review. The preparer should also subjectively look at the individual accounts, as some accounts (for examples,

Tax Compliance-Income Consolidated Federal Return

DEPARTMENT	RESPONSIBILITY	ACTION
		reserves and prepaids) are more likely to generate a book/ tax difference than are others (for example, cash).
Tax Department	Becky Arbino Brian Neiheisel	13. The Analyst analyzes any accounts that have a zero balance at the end of the current year to see if they are no longer active and/or should be taken out of accrual if they are part of an existing accrual. He also look at accounts to see if there are balances in the current year that were not active or non-existent in the prior year. These accounts will need to be reviewed to determine if they need to be added to existing accruals, or if new accruals should be established. This will also be an indication of a balance transfer from one account to a new or previously existing account.
Tax Department	Becky Arbino Brian Neiheisel	14. The Analyst creates a column next to the variance column to x-ref balance accounts to the corresponding M adjustments. This process documents which accounts are already subject to accrual, and assists the reviewer in the review process.
Tax Department	Becky Arbino Brian Neiheisel	15. The Analyst writes up a brief explanation of each adjustment and its corresponding account(s) if there is a material variance from accrual, describing why the variance occurred. This document will be shared with Tax Accounting staff as accruals are updated on an ongoing basis.
Tax Department	Becky Arbino Brian Neiheisel	16. Next, the spreadsheet analyzes the largest adjustments over the past three years and shows which adjustments are the most material to the tax return. <i>Note: The spreadsheet can be created by copying the columns of adjustments from the L-2's of the three prior years, then taking the absolute value of the average of the three years and ranking them from highest absolute value to lowest. (When the highest absolute values are determined, these M adjustments should be subjected to additional review by both preparer and the reviewer.)</i>
Tax Department	Becky Arbino Brian Neiheisel	17. The Analyst obtains the Issues List. These documents can be obtained from General Accounting, and are prepared as

DEPARTMENT	RESPONSIBILITY	ACTION
		part of the monthly close. For each month, analyze any issues that may result in a book/tax difference on the return. X-ref the individual issues to the corresponding return M, as necessary. When all individual months have been analyzed, prepare a summary for all issues that impact the current year tax return.
Tax Department	Becky Arbino Brian Neiheisel	18. The Analyst obtains the LER titled "Consolidating Statements of Income and Comprehensive Income, Year to Date, For the Periods Ended December 31, 200X." Cross-reference the Net Income reported on LER to the Tax Module.
Tax Department	Becky Arbino Brian Neiheisel	19. The Analyst prints the "new Accounts", (Rpt TC-09) under closing reports in BDMS. He/she analyzes the new accounts for each applicable month to identify any additional tax adjustments. This process is preformed as part of the monthly closing process, but is duplicated during return prep.
Tax Department	Becky Arbino Brian Neiheisel	20. The Analyst prepares M workpapers, first the module is printed out and a copy is put in the front of the workpapers as well as a copy with each individual workpaper that has an accrual. PBR is opened and under Closing status and report tab, Tax Controls Reports tab is chosen. Report TC03 "Tax Calculation" for 200x12 is chosen. Next the Analyst chooses FD from the column on the left of the screen and selects the appropriate corp. This is the tax module needed to complete the tax return. Next the Analyst cross-references the Tax Module to BIBT in the G/L Tab and also the LER Income (loss) and dividends declared in the G/L Tab. The tax module needs to be referenced to the Net Income in the LER Tab.
Tax Department	Becky Arbino Brian Neiheisel	21. Schedule M procedure: the procedure for completing individual schedule M adjustments make up the majority of the federal return preparation process. Each adjustment for each entity has its own distinct process. Documentation and guidance on the

DEPARTMENT	RESPONSIBILITY	ACTION
		individual tax adjustments can be found under the corresponding M tab for each workpaper. An index of Standardized M numbers is attached.
Tax Department	Becky Arbino Brian Neiheisel	22. Misc. M instructions: A "Fit Return Info request" will be sent out mid February. This will request all information that is maintained outside of the tax department. Some M's will not be able to be completed until this information is received. The FIT info request can be found at Excel at I:\Data\excelfile\TAX\FITRETN\2002 Return\2002 Federal Tax Request.
Tax Department	Becky Arbino Brian Neiheisel	23. Continue: Depreciation information such as 4797 and 4562 will be one of the last items received to complete the return. This information is obtained from Denny Wulker. Property Tax information should be received in Mid July from Gregg Scott in Plainfield. \$174 will be completed within the Tax Department, and should be completed during June or July. Benefits adjustments will also be completed within the Tax Department, but can change up until September 15, or the last day the return can be filed. When M workpapers or any workpapers in the return are finalized, sign off and date to allow the reviewer to know that they are completed and are not waiting on any additional information.
Tax Department	Becky Arbino Brian Neiheisel	24. The Analyst does the book/tax and return to accrual reconciliation's. After completion of the individual Ms, the Analyst enters the "per tax return" amounts for each M into the appropriate row on W/P L-1 and W/P L-2. On the L-2, also entered is the accrual amount for each of the individual M adjustments.
Tax Department	Becky Arbino Brian Neiheisel	25. After completion of L1 and L2, L1's data is then entered into the Master L-1 found in Microsoft Excel at I:\Data\excelfile\TAX\FITRETN\2002Return\Consolidated\Master L-1 Return.
Tax Department	Becky Arbino Brian Neiheisel	26. Analyst enters Master L-1 Return data into the tax compliance software, RIA InSource under the Adjustments Tab,

DEPARTMENT	RESPONSIBILITY	ACTION
		<p>"Tax Journal Entry". After all adjustments are entered, the Analyst verifies that the return is in balance by going to the "Tax Summary" under the Organizer and "Tax Forms" tab. The Return must be in balance before moving on to any more adjustments or depreciation is entered into the return. The Analyst Agrees Form 1120, Pg. 4, Schedule M taxable income to the individual entity L-1 and the Master L-1.</p>
Tax Department	Becky Arbino Brian Neiheisel	27. The Analyst signs off and dates all workpapers, and forwards the work papers to the assigned reviewer for review and sign off.
Tax Department	Brett Faris	28. Once the return has been prepared, the preparer will forward the return to the assigned reviewer for review and sign off. The reviewer is responsible for reviewing the individual returns and determining if additional analysis or corrections are necessary. Once the reviewer has determined that the return is accurate and complete, the reviewer will sign off and date. The reviewer is always independent of the preparer.
Tax Department	Brett Faris	29. The reviewer reviews the prior year return for any unusual items or notes that had been made to alert the current year preparer.
Tax Department	Brett Faris	30. The reviewer reads the current year 10K filed with the SEC, paying attention to any items that would have a tax impact. Review notes that highlight significant changes to balance sheet accounts, as changes in asset and liability accounts can lead to book/tax differences. Discussion of legal matters, contingencies, and any forward-looking statements that may have a tax impact are reviewed.
Tax Department	Brett Faris	31. The reviewer reviews monthly accounting closing issues list and investigates any items that may impact the federal tax return.
Tax Department	Brett Faris	32. The reviewer analyzes the balance sheet and associated variances and explanations documented by the

Tax Compliance-Income Consolidated Federal Return

DEPARTMENT	RESPONSIBILITY	ACTION
		preparer. When the balance sheet review is complete, reviewer signsoff and dates.
Tax Department	Brett Faris	33. The reviewer reviews the materiality and risk analysis workpapers. <i>Note: This procedure is normally only preformed for the large regulated utilities that have consistent, recurring tax adjustments. For the smaller non-regulated entities, all potential tax adjustments are considered material.</i> Review the materiality analysis subjectively, to determine which of the individual tax adjustments should be subjected to additional review. When the materiality and risk analysis review is complete, review is acknowledged with a sign-off and date.
Tax Department	Brett Faris	34. The reviewer reviews the new account closing reports, and verifies that new accounts were analyzed as part of the return preparation process. When the new account review is complete, review is acknowledged with sign-off and date.
Tax Department	Brett Faris	35. Reviewer reviews schedule M adjustments. This is the most significant portion of the review process. Each individual tax adjustment is reviewed for completeness, consistency, cutoff, accuracy and variance from accrual. The underlying transaction originating the M is reviewed to ensure that a current year tax adjustment is reviewed in connection with the balance sheet review and new account review to ensure completeness. As changes to accruals are identified, the issues are to be communicated with the tax accounting group so that monthly accruals can be updated to reflect the changes. Any errors or corrections identified as part of this review process are communicated to the preparer on the green "Reviewer Point Sheets." The preparer will re-analyze the identified issues and make the necessary corrections, and then re-submit the tax adjustment to the reviewer. This process will be repeated until the tax adjustment is satisfactorily completed. When the review of the individual tax adjustments is complete, the review is acknowledged

DEPARTMENT	RESPONSIBILITY	ACTION
		with signoff and date.
Tax Department	Brett Faris	36. Next, the Reviewer cross references all tax adjustments from the individual workpapers to the schedule L-1 (Book to Tax Reconciliation). And cross references book income to LER. Reviews finalized L-1 in conjunction with materiality and risk analysis spreadsheet to determine if any further review is necessary. Acknowledges completion of review with sign-off and date.
Tax Department	Brett Faris	37. Next, the reviewer cross-references all tax adjustments from the schedule L-1 (Book to Tax Reconciliation) to the schedule L-2 (Accrual to Return Reconciliation). He cross references the tax accruals on the L-2 to the Tax Calculation Report (Rpt TC03) and cross references taxable income on the L-2 to that calculated on the L-1. When the L-2 review is complete, acknowledge with a sign-off and date.
Tax Department	Brett Faris	38. Next, is the review of the 1120 Form Review-the review of the actual corporate tax return for each entity consists of two main processes: 1) cross referencing the data from the return workpapers to the actual form, and 2) reviewing the actual return reporting and disclosures. The first process is satisfied by agreeing the Schedule L-1 in the workpapers to the Schedule M (and supporting detail) on page 4 of the Form 1120. The second process is satisfied by cross referencing forms in the filing, review of each page of the return, and comparison to prior year filings. The RIA system includes diagnostic and override reports, which are utilized by the reviewer during this process. The form portion of the review process relies heavily on the reviewer's experience, and is very subjective. Upon completion of the review of the form 1120 acknowledge with sign off and date.
Tax Department	Brett Faris	39. Once the reviewer has completed his review and signed off on the individual return, the Form and all related tax workpapers will be filed in corporate entity number order. These workpapers

Tax Compliance-Income Consolidated Federal Return

DEPARTMENT	RESPONSIBILITY	ACTION
		are then made available to the Vice President of Taxation during review of the finalized consolidated return.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Department
- Corporate Accounting

Related Information

- Tax Compliance Income Elections, Statements, Forms & Disclosures Policy
- Tax Compliance Income Consolidated Book Return Policy

Contacts

Name	Role	Department
Alex Torok	Vice President	Tax
John Lechko	Manager	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update Policy Statement
- Update Process Flows
- Update Policy for Process Description/Narrative
- Update Procedure Personnel
- Update Who Should Know
- Update Contact

CINERGY®

Tax Compliance-Income Consolidated Book Return

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate preparation of the consolidated book tax return.

Reason for Policy

To ensure procedures are in place to accurately prepare the consolidated book tax return

Process Flows

See attached Federal Return flow chart.



Federal Return.vsd



Federal Return.ppt

Process Description/Narrative

This procedure provides a starting point in the tax compliance software for preparing the Consolidated Federal Income Tax Return. The process involves gathering, entering and adjusting data in the tax compliance software and getting it to a level of completion so that it can be reconciled and analyzed for accuracy.

The responsible Analyst begins by rolling over the prior year income tax binder in the tax compliance software to the current year. Next, general ledger data is extracted from the BDMS accounting system and prepared for import into the tax compliance software. The regulatory account roll is used as the general ledger account number in InSource CS because it is the most detailed level of accounting with a uniform chart of accounts. A standard chart of accounts is used at this level due to FERC regulations. After the data has been imported, the Analyst reconciles each individual entity to the company's Legal Entity Reporting (LER) Income Statements and Balance Sheet, making adjustments when necessary. With individual entity information in place, the Analyst then creates a consolidated binder with a corresponding elimination company, making adjustments when necessary. There are two options for setting up elimination companies in InSource. Eliminations can be done on a one-tier or multi-tier approach. Currently the one-tier approach is utilized at Cinergy. This involves combining like accounts from the selected elimination companies at the regulatory account level to form a combined elimination company. This process is completed outside the InSource system. The elimination company adjustments consist of entries to remove eliminating amounts for entities that were in the GAAP consolidation, but not in the U.S. income tax consolidation. Foreign corporation activity would be a good example of this type of transaction. Upon completion of all the elimination company entries the data is consolidated in the Top Consolidation binder. After consolidation, the results are reconciled to the LER. Line 1 of the section M-1 must tie to LER's net income/(loss). Once this reconciliation is complete, accrual book/tax adjustments are entered. Adjustments are entered on an entity by entity basis.

Frequently Asked Questions

Q1. What is the purpose of preparing the consolidated book tax return?

A. The purpose of preparing the consolidated book tax return is the starting point for the federal return, which allows us to tie the return out to the financial statements.

Procedure

Procedure to prepare the consolidated book tax return

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Brian Neiheisel	1. The Analyst, before creating a return for any year, must first roll over the balance sheet from the prior year and create a binder for the current year. This can be accomplished by right clicking on a binder in RIA's InSource CS tax compliance software (CS) and selecting "rollover".
Tax	Brian Neiheisel	2. The Analyst Builds an Excel spreadsheet from BDMS general ledger data. Using PBR's FRT, run a query to retrieve the ending general ledger balances for all corps. Necessary fields in this query include corp., accounting period, account, account description, regulatory account rollup, with the only constraint being placed on the account period. These results may need to be piecemealed together due to FRT's pivot table size restrictions.
Tax	Brian Neiheisel	3. The Analyst converts the Excel spreadsheet to a comma delimited file. The result of the query must be converted to an import file acceptable by InSource CS to populate the current year's income or loss and ending balance sheet. This can be accomplished by saving the query as a Comma Delimited, or .CSV file. Before interfacing the general ledger data/import file with Insource CS, all headers, footers, file paths and decimal places need to be removed from the Comma Delimited file. Column A should include the corp. number, column B the reg. Account number and Column C the balance amount. The reg. Account roll is used as the general ledger account number in InSource CS because it is the most detailed level of accounting with a uniform chart of accounts due to FERC regulations.
Tax	Brian Neiheisel	4. Next, the Analyst imports data to InSource CS. Using the toolbar in InSource CS, select the Batch Import function to interface the general ledger data. For more information on this

Tax Compliance-Income Consolidated Book Return

DEPARTMENT	RESPONSIBILITY	ACTION
		procedure consult the InSource CS Training Manual.
Tax	Brian Neiheisel	5. The Analyst reconciles individual entities to LER through adjustments. After the general ledger data has been captured by Insource, adjustments are required on individual corps to reconcile them to Cinergy's Legal Entity Reporting (LER) Income Statements and Balance Sheets. This can be accomplished by making adjustments in the Tax Accounting System (TAS) using Adjustments\ Book Adjustments.
Tax	Brian Neiheisel	6. Next, the Analyst creates a top consolidation binder. Now that individual returns reconcile to LER, a consolidated binder must be constructed in the Top Consolidations area of InSource. Before entering the binder, right-click and select properties. Using the member's tab, add and/or delete the necessary members for the current year's consolidation, on the toolbar in Tools select Consolidate. Next, in the Organizer, select step five, "Consolidate" to bring the individual returns together, creating a combined return.
Tax	Brian Neiheisel	7. The Analyst builds a combined elimination company. At this point the only remaining piece to the structure of the consolidated return requiring attention is the elimination company. The two options that have been used over the last two years are the multi-tier and the one-tier approach. The multi-tier approach consists of multiple tiers of consolidations consistent with the LER structure. To increase the speed and performance of InSource CS, the one-tier system was then adopted.
Tax	Brian Neiheisel	8. The one-tier elimination company setup begins outside of the InSource system. Using FRT, run a query of all domestic elimination companies to be included in the consolidated return. This information can be obtained by consulting the permanent files and correspondence with Cinergy's Legal Department. Combine like accounts from

Tax Compliance-Income Consolidated Book Return

DEPARTMENT	RESPONSIBILITY	ACTION
		the selected elimination companies at the reg. Account level to form the combined elimination company.
Tax	Brian Neiheisel	9. Next, the Analyst imports the data to Insource CS. The elimination company's data can be interfaced with InSource CS by selecting File/Import on the combination elimination company and following the guidelines outlined in steps 3&4, or by keying them in the Organizer/Balances section of the entity.
Tax	Brian Neiheisel	10. The Analyst makes required book adjustments to the elimination company. Due to the fact that certain elimination companies have amounts to eliminate both foreign and domestic members, book adjustments must be made on the elimination company. Running an FRT query must be made on the elimination company. Running an FRT query similar to those previously used, but also including the "origcorp" field can determine these adjustments. The "origcorp" field will determine which entries were made on the elimination company for foreign corps that are not being included in the consolidated return. These account adjustments must then be made in the Book Adjustments on the Combination Elimination co.
Tax	Brian Neiheisel	11. Next, the Analyst consolidates data in a Top Consolidation binder. Returning to the Top Consolidation binder, select Step 5 "Consolidate" in the organizer.
Tax	Brian Neiheisel	12. The Analyst reconciles the results to LER. After the data has been calculated, Line 1 of the M-1 section on page 4 of the 1120 should reconcile to LER's net income/(loss).
Tax	Brian Neiheisel	13. Next, the Analyst enters accrual book/tax adjustments. Once the return ties to LER and is in balance, the accrual book/tax differences are to be entered in the organizer/adjustments/tax adjustments on each individual entity.

Training and Documents

Who Should Know

- Tax Department
- Corporate Accounting

Related Information

Contacts

Name	Role	Department
Brian Neiheisel	Tax Analyst	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective for 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Income & Indirect Updating the Tax Calendar

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to file tax returns in all appropriate jurisdictions.

Reason for Policy

To ensure procedures are in place to regularly update the Tax Calendar

Process Flows

Process Description/Narrative

The Tax Department maintains a tax calendar to track filing requirements by entity and

by state, to ensure tax returns are timely filed and to manage workloads within the department. The tax calendar is used internally by the Tax Department for tax preparation assignments, tax preparation sign offs, tax return review assignments, tax return review sign offs, and to ensure returns are prepared with adequate time for officer signatures.

At least once annually the Senior Tax Analyst evaluates notices from the Legal Department, IRS filings, the domestic list (produced by legal, showing the registrations each entity has by state), a spreadsheet in Excel maintained by the Tax Department and the tax calendar in Insource to identify the jurisdictions in which the company is required to file tax returns. Based on this review the Senior Analyst adds or deletes tax events (schedules tax returns to be completed or eliminates the scheduled return if no longer needed) on the tax calendar. The Tax Supervisor compares the spreadsheet in Excel maintained by the Tax Department, the domestic list, and the tax calendar in Insource. Based on this review the Tax Supervisor separately verifies the nexus each entity has in each state to identify the jurisdictions in which the company is required to file tax returns. Once this review is complete and any necessary changes are made the tax calendar is approved.

Frequently Asked Questions

Q1. What is the impact of failing to update the Tax Calendar?

- A. A failure to update the Tax Calendar could lead to a failure to file a tax return in a jurisdiction where the company has a tax liability.

Procedure

Procedure for updating the Tax Calendar

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Cody Cain	1. The current year tax calendar and an Excel spreadsheet located at I:\data\excelfile\tax\state\sit\yyyretur ns\state extensions yyy.xls are maintained by the Tax Department. At least once a year, a Senior Analyst will update both the Tax Calendar and Excel spreadsheet upon receipt of notices from the Legal Department and other IRS filings.
Tax Department	Cody Cain	2. The Senior Analyst researches the tax

DEPARTMENT	RESPONSIBILITY	ACTION
		compliance requirements for the entities, schedules the tax return due dates for appropriate jurisdictions on the tax calendar in the tax software (RIA) calendar package, and the Excel spreadsheets.
Tax Department	Jim Kerr	3. Tax Supervisor compares data input by the Senior Analyst by reviewing information disseminated from Legal on the domestic list. (A document generated by Legal containing all jurisdiction where the company is registered to do business) to ensure the Tax Calendar and the Excel spreadsheet reflect all jurisdictions where the company is required to file tax returns. If the Tax Calendar and the Excel spreadsheet are in agreement with the Domestic List, it is accepted that the calendar update procedure has been complied with.

Training and Documents

Who Should Know

- Vice President Tax
- Director Tax
- Senior Analysts/Analysts

Related Information

Tax Compliance-Income & Indirect Identifying Filing Jurisdictions

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Deborah Larke	Director	Tax

Jim Kerr	Supervisor	Tax
Cody Cain	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update Who Should Know
- Update Contacts
- Update policy for Process Description/Narrative



Tax Compliance-Income Transmitting Information for Potential Liabilities Audit Support

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide procedures to communicate potential liabilities arising from new filing requirements, previous errors or omissions, and other significant tax matters to management.

Reason for Policy

To ensure procedures are in place to communicate potential liabilities arising from new filing requirements, previous errors or omissions, and other significant tax matters to management

Process Flows

None

Process Description/Narrative

This procedure describes the process of uncovering and communicating potential tax liabilities to management. Tax personnel, who uncover errors, omissions, new filing requirements and other observations, write up the potential liability and forward the information with supporting documentation to the Audit Supervisor. The Audit Supervisor verifies the liability and forwards the information to the Vice-President of Tax. The Vice President of Tax reviews the documentation and remediates as appropriate. Significant liabilities are immediately communicated to senior management. Other liabilities are communicated at regularly scheduled meetings.

Frequently Asked Questions

Q1. What is the result of failing to communicate potential tax liabilities to management?

A. A failure to communicate potential tax liabilities to management could result in skewed company forecasts.

Procedure

Procedure for communicating potential tax liabilities

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Various Tax Department Personnel	1. Through the process of monthly closing, reviewing of past year returns, reviewing year end balance sheets, peer review of returns, and various other tax and accounting procedures, potential tax liabilities are uncovered. The tax professional who uncovers the error, omission, new filing requirement or other observation writes up the potential liability and forwards write-up with computations to the Audit Supervisor.

Tax Compliance-Income Transmitting Information for Potential Liabilities Audit Support

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Supervisor	2. Audit Supervisor reviews write-up, computation and all other supporting documentation to verify the potential liability. Once the liability is verified, the Audit Supervisor forwards the documentation with analysis to the Vice President of Tax.
Tax Department	Vice President, Audit Supervisor, Lead Analyst and various tax staff	3. Vice President of Tax reviews the liability documentation with various Tax staff and remediates as appropriate. Significant liabilities are immediately communicated to Senior Management. Other liabilities are communicated to Senior Management as appropriate at the CFO bi-weekly meetings per the agenda.

Training and Documents

Who Should Know

- Vice President Tax
- CFO
- Vice President Finance
- Tax Supervisors
- Senior Analysts/Analysts

Related Information

Contacts

Name	Role	Dept
Alex Torok	Vice President	Tax
Leanne Cropper	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research

Amy Sheppard	Manager	Accounting Research
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Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect 2290 Heavy Vehicle Tax Return & Payment

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate and timely filed 2290 Heavy Vehicle Tax Return and Payment.

Reason for Policy

To ensure procedures are in place to accurately complete and file 2290 Heavy Vehicle Tax Return and Payment

Process Flows

None

Process Description/Narrative

This Procedure covers the filing of Federal Form 2290, Heavy Highway Vehicle Use Tax Return, and payment of related taxes. The Tax Department is responsible for filing the annual tax returns with and submitting related tax payments to the Internal Revenue Service. The Tax Department also is responsible for filing monthly returns and paying a prorated tax for any trucks added during a month. The returns are required for The Cincinnati Gas & Electric Company, The Union Light, Heat & Power Company, and PSI Energy, Inc.

The annual return is due by August 31 for trucks that are owned on July 31 of that year. The form lists the number of trucks that weigh 55,000 pounds or more. The form separates the trucks into different weight classes in increments of 1,000 pounds (e.g., 55,001 - 56,000; 56,001 - 57,000, etc.). For each weight class, there is a set annual excise tax per truck. (e.g., \$122.00/truck for the 55,001 - 56,000 weight class). A tax credit is available for any truck which was driven less than 5,000 miles during the previous year, and for which a tax was paid in the previous year.

Each month, if any trucks are added to the fleet, the Transportation Department is responsible for forwarding to the Tax Department a report detailing trucks added during that month. The report shows the in-service date, the Cinergy assigned truck number, vehicle identification number, and gross vehicle weight. The Tax Department prepares and files a Form 2290 by the last day of the month following the month the truck in which the truck is first used. The form is completed in CCH forms. A request for payment ("RFP") is prepared for payment of the tax. The completed return and RFP are reviewed and approved by the Tax Supervisor. The return is signed and the return along with a check is either delivered to the IRS or mailed to the IRS by certified mail.

For the annual return, the Transportation Department generates a report before August 31 from the TRUCS system, detailing CG&E and ULH&P trucks owned on July 31. This report is converted into an Excel worksheet, which is forwarded to the Tax Department. The Transportation Department sends a separate Excel spreadsheet for PSI. These reports separate the trucks by weight class, contain Cinergy identification numbers and state VIN's, report the mileage driven in the previous year, and show additions and disposals from the previous year's list. The preparer sorts the report by weight class and miles driven for input into Form 2290.

The preparer obtains as much supporting documentation for the tax workpapers as possible to prepare for a possible future IRS audit of the Form 2290. Supporting documentation includes evidence of state registration of the trucks ("cab cards") and documentation of miles driven.

From the Excel spreadsheets, the preparer inputs the information into Form 2290, calculates the tax for the listed trucks, and inputs the information necessary to calculate the tax credit for trucks driven less than 5,000 miles. The preparer compares the completed current year return to the previous year filed return for reasonableness. The preparer then prepares an RFP for the balance due. The Tax Supervisor reviews the completed reference copy of the return and the RFP. The return is signed; a copy of the signed return is retained for the files; and the signed return, along with a check, is either hand delivered to the Federal building, or mailed to the IRS by certified mail. A stamped copy of the return is forwarded to the Transportation Department for their use in registering the trucks for state purposes.

Frequently Asked Questions

Q1. What vehicles does this apply to?

A. This applies to vehicles that have a combined total weight over 55,000 pounds.

Procedure

Procedure for preparing Form 2290 Heavy Vehicle Tax Return and Payment

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation	Ronnie Benzing	1a. Generate a report from the TRUCS system that lists CG&E and ULH&P vehicles which are 2290 candidates and are separated by weight category and distributes this to Tax in July every year.
Transportation	Ronnie Benzing	1b. Develop an Excel file that lists CG&E and ULH&P vehicles which paid 2290 tax last year but traveled less than 5,000 miles during that period and e-mails to Tax.
Transportation	Tom Rasp	1c. Develop an Excel file that lists PSI vehicles which are 2290 candidates and separated by weight category and distributes to Tax in July every year.
Transportation	Tom Rasp	1d. Develop an Excel file that lists PSI vehicles which paid 2290 tax last year but traveled less than 5,000 miles

		during that period and e-mails to Tax.
Tax	Patricia Colvin	2. Categorize vehicles by weight, multiply by tax rates, transfer totals to pencil-copy and forward to Tax Admin for filing. <i>Note: Accomplishes this task annually in July.</i>
Tax	Debbie Roetting	3. Type completed copy of return using the pencil-copy as a reference and forward to John Lechko for approval. <i>Note: Accomplishes this task annually in July.</i>
Tax	Patricia Colvin	4. Complete request for payment form and hand delivers to Accounts Payable upon approval.
Tax	Jim Kerr	5. Review and sign RFP and completed return.
Tax	Patricia Colvin	6. By 8/31, hand-deliver return and payment to Federal Building and obtains delivered stamp on copy of return.
Tax	Patricia Colvin	7. Forward stamped copy of return to Ben Field for his records and utilization in transportation.

Training and Documents

Who Should Know

- Vice President Tax
- Supervisor
- Senior Analyst/ Analyst
- Transportation

Related Information

Contacts

Name	Role	Department
Jim Kerr	Supervisor	Tax
Patricia Colvin	Tax Clerk	Tax
Debbie Roetting	Administrative Assistant	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

2290 Candidates - Vehicles that have a Total Combined Weight greater than 55,000lbs

Revisions

The following revisions are effective 01/01/04:

- Update policy for Personnel Changes
- Update policy for Process Changes
- Update Who Should Know
- Update Contacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Income & Indirect New Vendor Set Up

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for a procedure to accurately set up a new tax vendor.

Reason for Policy

To ensure procedures are in place to set up new tax vendors

Process Flows

None

Process Description/Narrative

When a new entity is sent tax payments from the Tax Department, a new vendor must

Tax Compliance-Income & Indirect New Vendor Set Up

be set up. Various Tax personnel will prepare request for Pay document (RFP) when monies must be sent to various governmental agencies. When a new entity is being paid, the RFP is prepared by the clerk/analyst and reviewed by a supervisor or other appropriate personnel. It is then sent to accounts payable (A/P). A/P processes the request. (A/P is responsible for vendor maintenance lists. A/P has a procedure for purging inactive vendors). Treasury issues checks to new vendor and delivers checks to tax for mailing.

Frequently Asked Questions

Q1. What is a tax vendor?

A. In general, a tax vendor is a government entity entitled to receive tax payments from the company.

Procedure

Procedure for setting up a tax vendor

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax personnel, various	1. For new vendor set up, the Analyst fills out a Request for Pay document (RFP). (An RFP is an Accounts Payable form used to request payments to vendors.)
Tax Department	Management, various	2. Management reviews the RFP for accuracy, dates and signs the form.
Tax Department	Tax personnel, various	3. Analyst remits the RFP to A/P.
Accounts Payable	Vickie Dean	4. A/P processes the request. (A/P is responsible for vendor maintenance lists. A/P has a procedure for purging inactive vendors).
Treasury	Linda Evans	5. Treasury issues check to new vendor and delivers check to Tax.

Training and Documents

Who Should Know

- Vice President Tax
- Senior Analysts/Analysts

Related Information

Contacts

Name	Role	Department
Alex Torok	Vice President	Tax
Deborah Larke	Director, Tax	Tax
John Lechko	Manager	Tax
Jim Kerr	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update procedure for personnel changes
- Update procedure for process change
- Update Who Should Know
- Update Contacts
- Update policy for Process Description/Narrative



Tax Compliance-Income & Indirect Identifying Filing Jurisdictions

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to file tax returns in all appropriate jurisdictions.

Reason for Policy

To ensure procedures are in place to regularly identify appropriate filing jurisdictions

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for filing all applicable income and indirect tax returns to comply with applicable state and federal tax laws. Income tax nexus in a

given state or federal jurisdiction requires the entities within the Cinergy corporate structure to annually file a return of income for each calendar year. Income tax nexus is determined by the level of activity (including but not limited to sales, payroll, and owning or renting real or personal property) an entity has in a tax jurisdiction during a calendar year.

At least once annually the Senior Tax Analyst evaluates notices from the Legal Department, IRS filings, the domestic list (produced by Legal showing the registrations each entity has by state), a spreadsheet in Excel maintained by the Tax Department and the tax calendar in Insource to identify the jurisdictions in which the company is required to file tax returns. The Tax Supervisor compares the spreadsheet in Excel maintained by the Tax Department, the domestic list, and the tax calendar in Insource.

Based on this review the Tax Supervisor separately verifies the nexus each entity has in each state to identify the jurisdictions in which the company is required to file tax returns.

Frequently Asked Questions

Q1. What is the impact of failing to file in all appropriate jurisdictions?

A. A failure to file tax returns in all appropriate jurisdictions could lead to over or under payment of taxes, increased audit risks; and material misstatements in deferred tax accounts.

Q2. What is the output of this procedure, who uses this information, and how is this information disseminated to the tax department?

A. The output is a list of filing jurisdictions and due dates used by the Tax Department obtained from a central tax calendar and spreadsheet. This information is given to the tax return preparers at least once a year.

Procedure

Procedure for identifying jurisdictions in which the company is required to file tax returns

DEPARTMENT	RESPONSIBILITY	ACTION
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Tax Compliance-Income & Indirect Identifying Filing Jurisdictions

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Cody Cain	1. The current year tax calendar and an Excel spread sheet located at I:\Compliance\State & Local\Income & Franchise\yyyy\state extensions yyyy.xls maintained by the Tax Department are tools used to identify the jurisdictions in which the company is required to file tax returns. At least once a year, a Senior Analyst will update both the tax calendar and Excel spreadsheet upon receipt of notices from the Legal Department and other IRS filings.
Tax Department	Jim Kerr	2. At least once a year, a Supervisor will compare both the tax calendar and the Excel spreadsheet to the domestic list (a document generated by Legal containing all jurisdiction where the company is registered to do business) to ensure the calendar and the Excel spreadsheet reflect all jurisdictions in which the company is required to file tax returns.

Training and Documents

Who Should Know

- Vice President Tax
- Director Tax
- Senior Analysts/Analysts

Related Information

Tax Compliance-Income & Indirect Updating the Tax Calendar Policy

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax

Tax Compliance-Income & Indirect Identifying Filing Jurisdictions

Deborah Larke	Director	Tax
Jim Kerr	Supervisor	Tax
Cody Cain	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update Who Should Know
- Update Contacts
- Update Definitions
- Update policy for Process Description/Narrative



Tax Compliance-Income & Indirect Audit Support

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to maintain complete and accurate documentation to support tax filings and tax positions.

Reason for Policy

To ensure procedures are in place to document and support tax filings and tax positions

Process Flows

None

Process Description/Narrative

Tax Compliance-Income & Indirect Audit Support

The Tax Department is responsible for preparing and filing individual company and consolidated tax returns for Cinergy Corp., its subsidiaries and affiliates. Tax returns are always subject to audit by the applicable taxing authority. It is important to maintain sufficient documentation to support positions taken in filing these tax returns.

The Tax Department has established documentation standards and procedures to be used in the preparation of various tax filings. The Tax Department has also established procedures for the filing and retention of tax return documentation. The Tax Analyst/Senior Analyst is responsible for preparing a comprehensive set of supporting workpapers for each filing that sufficiently documents and supports; sources of information, adjustment calculations, book/tax differences, tax positions, references to other Tax Department files, etc. Each set of workpapers is expected to stand on its own and contain adequate supporting information for future audit requests. Federal and state income tax returns and workpapers will be scanned to the Tax Department shared drive for future audit access.

Frequently Asked Questions

Q1. What is the result of failing to maintain support for tax filing positions

A. A failure to maintain support of tax filing positions could lead to unfavorable adjustments by the IRS or other taxing jurisdictions upon audit of the company's tax returns.

Procedure

Procedure for documenting and supporting tax filing positions

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Senior Analyst/ Analysts, various	1. Tax Analysts document common Schedule M's in accordance with the department's common Schedule M index. Any tax adjustment is included in the individual entities work papers as necessary.

Tax Compliance-Income & Indirect Audit Support

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Senior Analyst/ Analyst various	2. Tax Analysts document any position that is new, challengeable, or that needs explanation in a memo or similar write-up. (Supporting documentation can also come from outside sources. For example, any project that took a specific tax position would have an explanatory memo.) All documentation is included in the individual entities return binder.
Tax Department	Tax Department Personnel	3. Separate Subject and Project files are maintained in the tax departments that support significant transactions and challengeable tax positions. Both the Subject Files and Project files are listed on an index in numeric order. At a minimum these files are maintained until the statute of limitations for a particular transaction or position taken on a certain years return has run.
Tax Department	Senior Analyst/ Analyst various	4. Tax Analysts various, once the return is finalized and reviewed, the binders are scanned and stored in accordance with Cinergy record retention policies.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Supervisors
- Senior Analysts/ Analysts

Related Information

Contacts

Name	Role	Dept
Alex Torok	Vice President	Tax
Leanne Cropper	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect Ohio Excise Taxes-MCF, KWH & Natural Gas Tax Return & Compliance

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/1998
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to comply with state tax filing requirements and to make timely and accurate tax payments.

Reason for Policy

To meet corporate tax obligations for tax returns and payments and to avoid penalties and assessments

Process Flows

Process Description/Narrative

The Tax Department is responsible for filing the Ohio MCF tax return, the KWH tax return and the Natural Gas excise tax return to comply with Ohio state law. The MCF tax is incurred on MCF volume natural gas distributed in Ohio. The kilowatt hour tax is incurred on KWH of electricity consumed by Ohio customers. The natural gas excise tax is incurred on Ohio natural gas gross receipts. These taxes are calculated in the customer billing system and accrued in the following accounts: MCF tax - account 236912, KWH tax - account 236911, natural gas excise tax - account 236850.

The Tax Clerk takes the customer billing reports and runs queries of the accounts listed above, prepares each tax return and prepares each wire request. The Tax Supervisor reviews everything, approves the KWH and MCF returns, forwards the natural gas excise tax return to the Vice President and gives the wire requests to the Tax Manager. The Tax Manager signs the wire requests and returns them to the Tax Clerk. The Vice President signs the natural gas excise tax return and returns it to the Tax Clerk.

The Tax Clerk files the approved KWH and MCF tax returns electronically, mails the signed natural gas excise tax return and retains copies of each. The Tax Clerk sends each wire request to the Treasury Department. The Treasury Department wires the amount due on each return to the State of Ohio by each returns' due date. The KWH tax return is due on the 20th day of each month for the preceding calendar month. The MCF tax return is due quarterly on 2/20; 5/20; 8/20; and 11/20. The KWH returns are due quarterly on 2/14; 5/15; 8/14; and 11/14.

Frequently Asked Questions

Q1. What are these tax returns and tax rates?

A. The MCF tax return is filed electronically. The MCF tax is a tax on MCF volume distribution of natural gas. The tax rate ranges are 0.1593, 0.0877 and 0.04111

A. The KWH is filed electronically. The kilowatt hour tax is a tax on KWH of electricity delivered to Ohio customers. The tax rate ranges are 0- 2000 KWH 0.00465; 2,000-15,000 KWH 0.00419; 15,000+ KWH 0.00363

A. The natural gas excise tax is a tax on natural gas gross receipts. The tax rate is 4.75% of gross sales.

Procedure

Gathering Data

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Kerr	1a. Print out monthly report of MCF billed to gas customers. Report generated from CMS.
Tax Department	Jim Kerr	1b. Print out monthly report of KWH billed to electric customers. Report generated from CMS.
Tax Department	Jim Kerr	1c. Print out monthly report of natural gas billed (gross receipts of natural gas sales) to gas customers, Report generated from CMS.
Tax Department	Jim Kerr	1d. Prepare Excel spreadsheets for MCF tax, KWH tax, and Natural gas excise tax.
Tax Department	Patricia Colvin	1e. Prepare quarterly excel spreadsheet by the 5 th working day, on a month lag, of information received from Transportation for Highway & Fuels Tax.
Tax Department	Patricia Colvin	1f. Generate and distribute excel report that contains monthly deposits for special Fuel by the 5 th working day of the quarter.

Preparing Return

Tax	Patricia Colvin Jim Kerr	1. Input data from reports on excel spreadsheet.
Tax	Patricia Colvin Jim Kerr	2. Transfer data onto return.
Tax	Patricia Colvin Jim Kerr	3. For the MCF and KWH returns open up web page enter username and password and enter data onto e-file return. Submit return via the web and print copy for file.
Tax	Patricia Colvin Jim Kerr	4. For the natural gas return open excel file with return, enter data, and print copy for mailing. Prepare wire request.

Tax Compliance-Indirect Ohio Excise Taxes-MCF, KWH & Natural Gas Tax Return & Compliance

Tax	Jim Kerr	5. Review final payment, verify RFP, and forward to John Lechko. Note: Accomplish these tasks by the 20 th of each month for the KWH return and by the 50 th and 45 th days following quarter close for MCF tax and Natural gas excise tax respectively.
Tax	John Lechko	6. Sign RFP and forward to Debbie Roetting
Tax	Debbie Roetting	7. Mail payment form to taxing authority. Natural gas returns only. Fax wire requests to Treasury and give copy to accounts payable.

Who Should Know

- Vice President Tax
- Tax Director
- Tax Manager
- Tax Assistant

Related Information

Request For Payment - Accounts Payable

Wire Payment Request - Treasury

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Deborah Larke	Director	Tax
Jim Kerr	Supervisor	Tax
Debbie Roetting	Administrative Assistant	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Tax Compliance-Indirect Ohio Excise Taxes-MCF, KWH & Natural Gas Tax Return & Compliance

BDMS - Business Data Management System

CSS - Customer Service System

CMS - Customer Management System

Miscellaneous A/R - Accounts Receivable for Transactions other than Utility Customers

Revisions

The following revisions are effective 09/01/05:

- Update Who Should Know
- Update Contacts
- Update Definitions
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative

Tax Systems-Income Schedule L-1 Federal Income Tax Return



Tax Systems-Income Schedule L-1 Federal Income Tax Return

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide in-house tax systems that are accurate and in a form needed by the Tax Department.

Reason for Policy

To ensure procedures are in place to ensure that content in in-house tax systems are accurate and in a format needed by the Tax Department

Process Flows

Tax Systems-Income Schedule L-1 Federal Income Tax Return

None

Process Description/Narrative

Schedule L-1 must be prepared for each legal entity. Schedule L-1 is used to summarize the amount of each adjustment for the current and prior year activity for the entity in question. This information is then put into the Master L-1 and used to tie out the consolidated Master L-1.

Schedule L-1 has three possible sections. The first section is Book Income/(Loss) before Federal Income Tax. Section two is all tax adjustments relating to the entity. Section three is credits pertaining to the entity.

The entity book net income after taxes should be the first line in section one of the L-1. This amount would come from the final Legal Entity Report (LER). Following this would be Federal Income Taxes (FIT) both current and deferred. Federal Income Taxes will flow from the FIT summary schedule. The sum of these amounts will be shown on the next line.

Next, section two of the L-1 will be completed. Section two summarizes all schedule M amounts for the entity. Amounts are entered from detail schedules from the "Schedule M" line. Amounts can be entered after each schedule M is calculated or after all schedule M amounts are calculated. Typically each schedule M will have its own detailed schedule. When complete, the sum of all schedule M's are subtracted from the sum in section one resulting in Taxable Income/(Loss). Total schedule M's amount will also need to tie to Schedule L-2.

Next, section three will be completed showing any credits available for the entity. Credits will consist of tax credits from Fuels, which can be found on M-1118 and/or Low income housing which can be found on M-1197. Section 3 will not apply to all entities.

A final Form L-1 should be referenced with who prepared, date and time prepared, file name, and be signed off by the preparer. All final Form L-1s should also have reviewer's initials signifying completed review. A cell with file path should also be included for easy document retrieval.

Frequently Asked Questions

Q1. What is the result of failing to review in-house tax systems?

Tax Systems-Income Schedule L-1 Federal Income Tax Return

A. A failure to review in-house tax systems can lead to inaccurate output data that results in over or under reporting of income on the federal tax return.

Procedure

Procedure for Schedule L-1

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	1. The L-1 is used to summarize the amount of each adjustment on individual entity federal income tax returns. This information is then put into the Master L-1 and used to tie out the consolidated Master L-1.
Tax Department	Tax Analysts, various	2. The L-1 can be completed as each M is completed for the federal return or after all M's are completed. Before entering any M amounts, first the Analyst will need to enter the following:
Tax Department	Tax Analysts, various	2a. The book net income after taxes should be the first line on the L-1, this number will come from the LER.
Tax Department	Tax Analysts, various	2b. Next, the current federal income tax number. Then the deferred income tax number. Finally sum these amounts. (A)
Tax Department	Tax Analysts, various	3. After these amounts are entered, all of the individual M amounts will then be entered. This amount will come from the schedule M cover sheet next to the "per return".
Tax Department	Tax Analysts, various	4. Sum all of these amounts to get the "total Schedule M items". Subtract this amount from the sum that was arrived at above (A) and this will give you the taxable income or (loss). This amount will then need to tie to the L-2.
Tax Department	Tax Analysts, various	5. Below this the Analyst will enter any tax credits from Fuels, which will be found, on M-1118 and/or Low income housing which will be found on M-1197.

Tax Systems-Income Schedule L-1 Federal Income Tax Return

Training and Documents

Who Should Know

- Vice President Tax
- Tax Managers
- Tax Supervisors
- Senior Analysts/Analyst

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Jim Kerr	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

Tax Systems-Income Schedule L-1 Federal Income Tax Return

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Systems-Tax Accounting Manual Accrual Schedule

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide in-house tax systems that are accurate and in a form needed by the Tax Department.

Reason for Policy

To provide for procedures to ensure that content of in-house tax systems are accurate and in a format needed by the tax department

Process Flows

None

Process Description/Narrative

A manual accrual schedule is maintained, updated, and reviewed monthly for each Cinergy entity in support of the monthly income tax provision process (see Tax Accounting-Income Monthly Closing Process policy).

The manual accrual schedule is an accumulation of information on various book-tax differences which could not be determined using the Mechanical Schedule M process within the BDMS-Tax Module. The manual accrual schedule includes a description of the adjustment, update frequency (for example, for a number of small book-tax differences an annual estimate is determined based on past experience and pro-rata portion of that estimate is recognized each month). Other data elements shown on the manual accrual schedule are: (1) a designation of the adjustment as permanent or temporary (this designation highlights the status of the book-tax difference, for temporary differences only, a deferred tax adjustment is determine); (2) deferred tax work codes and (3) the deferred tax provision amount.

For some very small adjustments the book-tax difference is recognized once at the beginning of the year instead of on a prorated basis.

The manual accrual schedule is used as an input document to update the BDMS Tax Module with the Schedule M adjustment amount and for preparation of the manual deferred tax journal entries (TX483-federal and TX-486-state). The input to both the tax module and journal entry is reviewed by the tax manager or supervisor to ensure agreement to the underlying support.

Frequently Asked Questions

Q1. What is the result of failing to review in house tax systems?

A. A failure to review in-house tax systems can lead to inaccurate output data that results in over or under reporting of income on the federal tax return.

Procedure

Procedure for Manual Accrual Schedule

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	1. The manual accrual schedule is maintained and updated by entity on a monthly basis to ensure accuracy in calculating the income tax accrual.
Tax Department	Tax Analysts, various	2. This schedule details book to tax adjustments and also provides information determining when they are calculated, the M-1 description, how the book tax difference is calculated, the cost type of the adjustment, the adjusting amount, the nature of the book tax difference, either temporary or permanent, the deferred tax work codes and the deferred tax amount to be recorded.
Tax Department	Tax Analysts, various	3. Some adjustments are calculated and entered on an annual basis while other adjustments are updated monthly or quarterly.
Tax Department	Tax Analysts, various	4. Once all amounts have been finalized the Schedule M amount column is to be reconciled to the information entered in the BDMS Manual Tax Input Detail. Then amounts from the federal & state deferred tax columns are reconciled to entries prepared in the Journal Entry Tool to ensure accuracy of the Income Tax Accrual Processing.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Managers
- Tax Supervisors
- Senior Analysts/ Analysts

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Jim Kerr	Supervisor	Tax
Brett Faris	Senior-Lead Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to accurately report the corporation's assessed value and to ensure that the corporation pays the correct amount of property taxes by adhering to the laws of the State of Ohio and Kentucky.

Reason for Policy

- To ensure that the company will accurately report its taxable assets in the proper taxing district and to minimize the company's property tax liability in accordance with the laws of the State of Ohio and Kentucky
- To accurately reflect the property tax cost by functional group thus insuring accurate costs of business operation across all business units

Process Flows

See Property Tax Return Flow Chart - Kentucky



ULHP flow chart.vsd



ULHP Property
Tax.ppt

See Property Tax Return Flow Chart - Ohio



CGE flow chart.vsd



CGE Property
Tax.ppt

Process Description/Narrative

Ohio

Property tax returns must be filed annually in Ohio. Returns are due March 1 of each year for property as of December 31; however an extension is requested extending the due date to April 30. Extensions must be filed on or before February 28. The annual filing of returns is required by law, but they also must be filed to ensure that CG&E receives a fair and equitable personal property tax assessment each year.

The initial step in the preparation of the returns is to send the appropriate departments data requests for information that is needed to prepare the returns. This should be done as soon after year-end as possible (see Procedure for Property Tax Return Preparation for a detailed list of the data requests that are sent and who they are sent to).

The next step is to run the CPR extraction and allocation in Power PT. A review of the CPR Extractions is necessary to insure all cost data imported into the PT system ties to the Plant Accounting system. After this step, reports needed for the preparation of the return can be run.

Three Annual Reports are filed in Ohio - Electric, Gas and Common. The assessment in Ohio is based on original book cost less certain exemptions and exclusions. Under current law, the following types of property are excluded: pollution control, real estate, licensed motor vehicles, capitalized interest and capitalized drawing. An agreement of the capitalized drawing issue was signed by CG&E and the Ohio Department of Taxation on 12-21-1999. The agreement allows CG&E to use an agreed upon percentage deduction applicable to the capitalized drawing costs. This agreement expires after the 2006 tax year. Once these exemptions are deducted from the original book cost, a percent good factor is applied to obtain the true tax value. The percent good tables are

defined by the Ohio Department of Taxation for each classification of property (production, distribution, transmission and general). The true tax value is then multiplied by the statutory assessment ratio to reach the assessed value. The Annual Report, including the supporting workpapers, is prepared by the Senior Tax Analyst, with assistance from the Tax Assistant and Intern, as needed. The form and workpapers are then reviewed and approved by the Property Tax Manager.

Once the return is completed, a meeting may be scheduled with the Ohio Department of Taxation to discuss any significant changes in value from the prior year return. After the Department of Taxation has reviewed the return, an assessment notice will be issued stating the company's value as determined by the ODT. The assessment notice is reviewed for errors, and, if necessary, an appeal must be filed with the Ohio Department of Taxation within 60 days from the date of the notice. Once the final assessment notice is approved, the values by taxing district can be entered into the Statement of Tax.

Kentucky

Property tax returns must be filed annually in Kentucky. Returns are due April 30 of each year for property as of December 31. An extension may be requested extending the due date to May 30. The annual filing of returns is required by law, but they also must be filed to ensure that CG&E, KO Transmission, Miami Power and Union Light Heat & Power receive a fair and equitable personal property tax assessment each year.

The initial step in the preparation of the returns is to send the appropriate departments data requests for information that is needed to prepare the returns. This should be done as soon after year-end as possible (see Procedure for Property Tax Return Preparation for a detailed list of the data requests that are sent and who they are sent to).

The next step is to run the CPR extraction and allocation in Power PT. A review of the CPR extractions is necessary to insure all cost data imported into the PT system ties to the Plant Accounting system. After this step, reports needed for the preparation of the return can be run.

Separate returns are filed for CG&E, KOT, MP and ULH&P. The Kentucky returns are based on net book value. The returns are completed by using the Property Tax reports in Power Plant and completing a series of auxiliary schedules that populate summary schedules that in turn feed into the forms provided by the Kentucky Revenue Cabinet (KRC). The returns and subsequent schedules are prepared by the Senior Tax Analyst, with assistance from the Tax Assistant and Intern, as needed. The forms and accompanying work papers are then reviewed and approved by the Property Tax Manager.

Once the return has been completed, the KRC will issue a tentative notice of assessment. If the values are not agreeable, then a written protest must be prepared within 45 days of the date of the notice. A meeting is then scheduled with the KRC in order to discuss changes in property value and negotiate a fair market value for the property. A final notice of assessment is then issued and there is not an appeal period. However, the assessment notice is reviewed for errors, and, if necessary, contact must be made with the KRC to correct any errors.

Frequently Asked Questions

Q1. What is the average tax rate for CG&E Ohio Electric Property?

A. For 2004 pay 2005, the average rate for Electric Personal Property in Ohio is 7.7744%. The average rate for Real Property was 4.4170%.

Q2. What is the average tax rate for CG&E Ohio Gas Property?

A. For 2004 pay 2005, the average rate for Gas Personal Property in Ohio was 8.6561%. The average rate for Gas Real Property in Ohio was 6.2781%.

Q3. Are Pollution Control Facilities subject to Property Tax in Ohio?

A. No.

Q4. Are Pollution Control Facilities subject to Property Tax in Kentucky?

A. Yes.

Procedures

Property Tax Budget

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Gregg Scott	1. Receive Budget Request with due dates from Budget & Forecasts

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

DEPARTMENT	RESPONSIBILITY	ACTION
Budget & Forecasts		2. Prepare 5-year capital budget by company by classification of property. Included in the 5 year forecasts should be fuel inventory, underground gas storage, and pollution control capital expenditures.
Tax	Erin Whitehead - Ohio Karen Hammond - KY	3. Run property tax report 1048 to obtain YTD plant additions. Review current year additions and prior year budgets to insure accuracy to additions.
Tax	Erin Whitehead - Ohio Karen Hammond - KY	4. Estimate tax rates. Use a 3% to 5% escalation for Ohio. Not necessary to escalate Kentucky rates.
Tax	Gregg Scott	5. Review 5 year forecasts as prepared by Sr. Tax Analyst and upon approval forward 5 year budget to B&F.

Monthly Accrual Analysis

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Conchita Wyatt	1. From January through September or until unit assessment notices are received prepare and enter the monthly journal entries based on the property tax budget. See Tax Accounting-Indirect Monthly Close Property Tax Policy for additional information.

Accrual Analysis

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Gregg Scott	1. Assessments are received from the various state agencies - Oct. to Dec. The total of the assessments are reviewed to insure the individual assessments agree in total to the assessment notices.
Tax	Conchita Wyatt	2. Assessment is entered into the statement of taxes by taxing district.
Tax	Karen Hammond - KY Erin Whitehead - Ohio	3. Reviews the top 10 to 20 taxing districts to insure the assessments were entered correctly into the statement of taxes.

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

Tax	Conchita Wyatt	4. Receive tax rates from the state, which are copied to tax rates table in the statement of taxes. Ohio tax rates are normally received in late January from the Ohio Dept. of Taxation. Indiana rates are normally received in late January from the Dept. of Local Gov't. Finance.
Tax	Karen Hammond - KY Erin Whitehead - Ohio	5. Prepare updated budget to reflect changes in assessments by company
Tax	Conchita Wyatt	6. Receive Tax Bills from taxing districts and compare the bills to the statement of taxes.
Tax	Conchita Wyatt	7. Any discrepancies in the tax rates and/or assessments need to be analyzed for each taxing district/county.
Tax	Conchita Wyatt	8. A request for payment is completed for each county/taxing district. Request for payments need to be prepared in advance to receive the check at least 5 working days prior to the due date of the bills.
Tax	Conchita Wyatt	9. Request for payment and tax bills are submitted to property tax manager for approval.
Tax	Gregg Scott	10. Review the request for payments for correct corp., payee, corp. number, account and the correct amount of payment.
Tax	Alex Torok Gregg Scott	11. Any payment for \$1 million or above needs to be approved at the manager or above level.
Tax	Conchita Wyatt	12. Make copy of request of payment for the file and submit original to accounts payable for check processing. Requests should be forwarded to accounts payable at least 10 working days in advance of the due date. (This is not always possible due to receiving the bills late from the county.)
Tax	Conchita Wyatt	13. Upon receipt of check from accounts payable, verify for accuracy of the check and make a copy of the check.
Tax	Conchita Wyatt	14. Prepare a cover letter and submit to property tax manager for signature.
Tax	Conchita Wyatt	15. Mail cover letter, check, tax bills and postage paid return envelope to County Treasurer or tax district. Payments are mailed via certificate of mailing.

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

Tax	Conchita Wyatt	16. Kentucky payments need to be received by the due date - therefore allow 3 to 5 working days for mail delivery. Ohio & Indiana - OK to mail on due date or 1 day in advance of due date.
Tax	Conchita Wyatt	17. Wire Transfers - Prepare request for wire transfer verifying with the County Treasurer, financial institution information.
Tax	Gregg Scott Alex Torok	18. Manager reviews and approves the request, the original is forwarded to Taxation VP, then forwarded to Accounts Payable and a copy is sent to Treasury.
Tax	Conchita Wyatt	19. Tax Assistant requests confirmation from Treasury.
Tax	Conchita Wyatt	20. Receive confirmation from Treasury to confirm payment was transferred.
		<i>Note: Currently only two electronic funds transfer - Hamilton and Warren County - Ohio.</i>
Tax	Gregg Scott	21. Check updated budget and proposes to management accrual adjustments as necessary. <i>Note: We will not have the final tax rates until January of the following year, therefore only major budget adjustments should be made at this time. No adjustments should be made until prior year adjustments to actual are finalized.</i>
Tax	Erin Whitehead - Ohio	22. Once the first half payments have been made in Ohio, prepare adjustment to actual for prior year accruals.
Tax	Gregg Scott	23. Review Ohio adjustment to actual and propose adjustments to Management.
Tax	Alex Torok	24. Approve proposed Ohio adjustments for booking in current month or to spread over remaining months.
Tax	Conchita Wyatt	25. Prepare Ohio adjustment to actual.
Tax	Erin Whitehead - Ohio	26. Review Cincinnati paper for levies passed in November and make necessary budget adjustments.
Tax	Conchita Wyatt	27. By December 10 - review Kentucky statement of taxes to ensure majority of payments have been made. Notify taxing districts if bills have not been received to avoid possible penalties in January/February.

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

Tax	Karen Hammond - KY	28. Make adjustment to actual for Kentucky companies.
Tax	Gregg Scott	29. Review Kentucky adjustment to actual and propose adjustments to Management.
Tax	Alex Torok	30. Approve proposed Kentucky adjustments for booking in December business.
Tax	Conchita Wyatt	31. Prepare revised accrual journal entries after management's approval of adjustments. <i>Note: Reference Indirect Monthly Close Property Tax Policy.</i>

Property Tax Return Preparation

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Erin Whitehead - Ohio Karen Hammond - KY	1. Prepare & distribute data requests by January 5 via email
Tax	Denny Wulker	2. Ohio capitalized interest by station by class of property
Gas Engineering	Jim Callahan	3. ULH&P - Gas Services & Gas Feeder Mains by taxing district
Substation Engineering	Dan Brankamp	4. Capitalized drawing costs for Ohio T&D projects
Gas Engineering	Jim Callahan	5. Capitalized drawing costs for Ohio Gas Engineering
Customer Projects	John Montag	6. Capitalize drawing costs for Ohio customer projects
Engineering & Construction	Jeff Snapp	7. Capitalized drawing costs for Ohio production power plants
Special Projects	Tim Hinkel	8. Pole miles in Kentucky by taxing district for ULH&P & CG&E for distribution and transmission plant
CG&E Billing	Jack Ulm	9. Number of electric & gas meters by class of customer by taxing district for ULH&P and CG&E
American Electric Power	Annette Richardson	10. Property reports for Conesville
Dayton Power & Light	Chris Hergenrather	11. Property reports for Stuart and Killen
Fixed Assets	Peggy Laub	12. Ohio pollution control summary by workorder/application
Treasury	Larry Rifle	13. Leased property report
Fixed Assets	Jaime Reynolds	14. Ohio Pollution Control Applications for all Ohio plants
Fuel & Jt. Owner Accounting	Sharon McCool	15. Coal in transit as of 12/31

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

CT Fleet	Robert Whitehead	16. Number of employees and calendar year loaded wages for current year
Tax	Erin Whitehead	17. Run Ohio CPR extract - see CPR extract procedures. (t/psi tax/procedures for pt/cpr extraction procedures.)
Tax	Karen Whitehead	18. Run KY CPR extract - see CPR extract procedures. (t/psitax/procedures for pt/cpr extraction procedures.)

Preparing Returns

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Karen Hammond - KY Erin Whitehead - Ohio	1. From mid February to end of April prepare returns as data becomes available. Sr. Analyst and Manager are to make assignments for the intern and tax assistant. Any work prepared by the intern/tax assistant should be checked in detail.
Tax	Erin Whitehead - Ohio Karen Hammond - KY	2. Run M&S reports and begin M&S portion of the return.
Tax	Erin Whitehead - Ohio	3. Transfer prior y/e numbers to beginning year numbers from prior year return.
Tax	Erin Whitehead - Ohio	4. Run M&S reports and begin M&S portion of the return.
Tax	Karen Hammond - KY	5. Run M&S reports and begin M&S portion of the return.
Tax	Erin Whitehead - Ohio	6. Prepare production, transmission, distribution, general and common portions of the returns. Run the following PT Repots: a. cpr report 1048 - account summary by state b. cpr report 1184 - cpr ledger account report c. cpr report 1042 - account summary by functional class d. cpr report 1031 - net value utility account e. pt - 500004 - pt basis by property tax type by utility f. pt - 500005 - pt basis by prop tax type by utility by tax district g. pt - 500008 - pt basis by state by county by taxing district by utility account

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

		<p>h. pt - 500021 - pt net value by state by county by district by location (Note: excerpt copies of all reports can be found in three ring binder labeled Power Plant Reports on Sr. Tax Analyst's desk - E. Whitehead)</p>
Tax	Erin Whitehead	7. Prepare the real estate exemption portion of the return
Tax	Erin Whitehead	8. Prepare the licensed vehicle, capitalized drawing, capitalized interest, pollution and obsolescence adjustment portion of the return
Tax	Erin Whitehead	9. As major portions of the returns are completed forward to Coordinator for review
Tax	Karen Hammond - KY	<p>10. Prepare production, transmission, distribution, general and common portions of the returns. Run the following PT Repots:</p> <ul style="list-style-type: none"> a. cpr report 1048 - account summary by state b. cpr report 1184 - cpr ledger account report c. cpr report 3000 - cpr mass average cost report d. cpr report 1042 - account summary by functional class e. cpr report 1031 - net value utility account f. pt - 500005 - pt basis by prop tax type by utility by tax district g. pt - 500018 - pt net value by property tax type by utility account h. pt - 500019 - pt net value by pt type by utility account by taxing district i. pt - 500022 - pt net value by state by county by taxing district by utility account <p>(Note: excerpt copies of all reports can be found in three ring binder labeled Power Plant Reports on Sr. Tax Analyst desk - E. Whitehead)</p>
Tax	Karen Hammond	<p>11. Prepare the various b schedules: (Note: these are referencing only ULH&P schedules - see CG&E KY files for a listing of b schedules for CG&E)</p> <ul style="list-style-type: none"> a. b-1 - real estate land b. b-2 - real estate structures c. b-5 - distribution mains d. b-7 - gas M&R equipment

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

		<ul style="list-style-type: none"> e. b-9 - gas meters f. b-10 - transmission lines g. b-11 - conduit h. b-12 - street lights i. b-13 - line transformers j. b-14 - customer transformers k. b-15 - electric meters l. b-16 - autos m. b-17 - general equipment n. b-18 - material & supplies o. b-19 - gas production equipment p. b-20 - substations q. b-21 - CNG equipment
Tax	Karen Hammond	12. As major portions of the returns are completed forward to Manager for review
Tax	Gregg Scott	13. Review returns as completed by Sr. Analyst
Tax	Gregg Scott	14. Cross Foot return work papers to insure all numbers are carried forward in the return properly
Tax	Gregg Scott	15. Check Ohio reconciliation schedule
Tax	Gregg Scott	16. Verifies any large increases - decreases in the work papers
Tax	Gregg Scott	17. Insure there are no negative values in the return
Tax	Karen Hammond	18. Prepare a summary of the Kentucky return for management - Supervisor showing current year valuations compared to prior year valuations
Tax	Erin Whitehead	19. Prepare a summary of the Ohio return for management - supervisor showing current year valuations compared to prior year valuations
Tax	Conchita Wyatt	20. Prepare 5 copies of the Ohio returns (one copy for Ohio Dept. of Taxation, one copy to coordinator, one copy to management plus summary review, two copies for the files)
Tax	Conchita Wyatt	21. Prepare 6 copies of the Kentucky returns (one copy for the KY Revenue Cabinet, one copy to Farmer & Humble, one copy to coordinator, one copy to management plus summary review, two copies for the files)
Tax	Gregg Scott	<i>Note: If certain positions have been taken on the Ohio returns, such as obsolescence adjustments, coordinator is to meet one on one with the Ohio Dept. of Taxation to</i>

Tax Compliance-Indirect Ohio & Kentucky Property Tax Return & Payments

		<i>explain the adjustments.</i>
Tax	Erin Whitehead - Ohio	23. Receives the tentative assessment notices from Ohio and Kentucky and reviews for errors. (Note: In years past the ODT has issued incorrect assessment notices. These must be reviewed in detail.)
Tax	Gregg Scott	24. Notifies ODT of any errors in the assessments and files appeal if necessary by December 1.
Tax	Gregg Scott Karen Hammond	25. Receives tentative notice from the Kentucky Revenue Cabinet. Prepares estimated tax liability on the tentative notice. Annualize the tentative assessment notices for errors.
Tax	Gregg Scott	26. Set up meeting with the KRC to discuss valuation issues.
Tax	Gregg Scott	27. Prepare for this meeting - must have information to support lowering the assessments.
Tax	Gregg Scott	28. Request informational data for each company to support lowering the assessments. Support data for KY - CG&E mainly comes from East Bend plant. Support data for ULH&P mainly comes from D. Storck.
Tax	Gregg Scott	29. Final negotiated values agreed upon or file appeal with the KRC.
Tax	Erin Whitehead	30. Receive Ohio individual tax district valuations for electric and gas. Review in total to insure taxing district values match unit assessment notices. If taxing district assessment notices do not match, work with ODT to resolve issues. Forward tax assessment notices to Tax Assistant for statement of taxes.
Tax	Karen Hammond	31. Receive Kentucky individual tax district valuations. Review in total by Company to insure taxing district values match unit assessment notices. If taxing district assessment notices do not match, work with KRC to resolve issues. Forward tax assessment notices to Tax Assistant for statement of taxes
Tax	Conchita Wyatt	32. Prepare statement of taxes by Company by state.
Tax	Karen Hammond - KY Erin Whitehead - OH	33. Review taxing district assessments by Company. See accrual analysis above for possible adjustments to the budgets.

Training and Documents

Who Should Know

- Vice President Tax
- Manager
- Sr. Analyst/Analyst
- Tax Assistant

Related Information

Tax Accounting-Monthly Close Property Tax Policy

Tax Compliance-Indiana Property Tax Return and Payments Policy

Contacts

Name	Role	Dept
Alex Torok	VP - Taxation	Tax
Gregg Scott	Manager	Tax
Karen Hammond	Senior Analyst	Tax
Erin Whitehead	Senior Analyst	Tax
Conchita Wyatt	Tax Assistant	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Assessed Value - Ohio Real Estate - 35% of the fair market value

Assessed Value - Ohio Electric production & general property - 25% of the taxable value

Assessed Value - Ohio Electric transmission & distribution personal property - 88% of the taxable value

Assessed Value - Ohio Gas personal property - 25% of the taxable value

Ohio Taxable Value - Value of the property after exemptions, cost adjustments and depreciation. *Note: Each type of property has certain exemptions, cost adjustments and depreciation schedules.*

Revisions

The following revisions are effective 09/01/05:

- Update procedure for Personnel Changes
- Update procedure for process changes
- Update Who Should Know
- Update Contacts
- Update policy for Process Flow
- Update policy for Process Description/Narrative
- Update policy for new manual ownership
- Update policy to reflect reorganization of manual



Tax Compliance-Indirect Kentucky County Sales & Use Tax Returns & Payments

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate and timely filed County of Kentucky Sales & Use Tax Returns & Payments.

Reason for Policy

To ensure procedures are in place to accurately complete and file County of Kentucky Sales & Use Tax Returns & Payments

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for filing the Kentucky county gross receipts tax returns to comply with Kentucky and local laws. The gross receipts tax is incurred when Union Light Heat & Power (ULHP) utility services are sold. The tax is charged on taxable sales in the customer billing system and accrued in various accounts 241--- accounts payable to the various localities.

In the Tax Department, the Tax Clerk prepares the various tax returns based upon reports from the customer billing system and prepares a check request. The Tax Supervisor reviews everything and signs the check request. After copying the return and the check (issued by accounts payable) the Tax Clerk mails the return and check to the various locality by the return due date. The tax returns are due on the 20th day or last day of each month for the preceding calendar month.

Frequently Asked Questions

Q1: Why do we pay Kentucky sales tax to the counties?

A: The school districts and counties of Kentucky can levy a tax on utility receipts for support of local operations.

Q2: What rate of tax do we pay?

A: Our tax rate is 3%.

Procedure

Procedure for preparing Kentucky County Sales & Use Tax Returns & Payments

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Patricia Colvin	1. Generate a copy of CSS detail report that contains revenue and tax calculated, exempt customers and charge-offs, recoveries, and unaccountable taxes. <i>Note: Generate this information by the 10th working day.</i>
Tax	Patricia Colvin	2. Submit G/L queries (FRT) to obtain balances and reconcile current month activity by the 13 th working day.
Tax	Patricia Colvin	3. By the 13 th working day, transfer balance data into Excel worksheet, balance with G/L, and resolve special

Tax Compliance-Indirect Kentucky County Sales & Use Tax Returns & Payments

		account activity.
Tax	Patricia Colvin	4. By the 13 th working day, complete the request for payment form and hand-deliver to Accounts Payable upon approval.
Tax	Jim Kerr	5. By the 20 th of the month, review and sign the RFP and the completed return.
Tax	Jim Kerr	6. By the 20 th of the month, approve RFP and completed return.
Tax	Debbie Roetting	7. By the 20 th of the month, compile and mail the return package, which includes the payment.

Training and Documents

Who Should Know

- Tax Supervisor
- Tax Clerk
- Tax Administrative
- Accounts Payable

Related Information

Contacts

Name	Role	Department
Jim Kerr	Supervisor	Tax
Patricia Colvin	Clerk	Tax
Cody Cain	Senior Analyst	Tax
Debbie Roetting	Administrative	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

CMS - Customer Management System

CSS - Customer Service System

Exempt Customers - Customers who are not required to pay tax

Charge-offs - Elimination of Unpaid Accounts

Recoveries - Receipt of payment of previously charged off account

Unaccountable Taxes - The difference between tax calculation on total utility sales and individual accounts due to rounding.

Revisions

The following revisions are effective 01/01/04:

- Update policy for Process Changes
- Update policy for Personnel Changes
- Update Who Should Know
- Update Contacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Compliance-Income Tax Depreciation

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide complete and accurate calculations of various tax depreciations on the corporate fixed assets.

Reason for Policy

To ensure tax depreciation methods and lives are assigned according to appropriate tax laws and regulations

Process Flows

See attached Federal Return Flow Chart



Federal Return.vsd Federal Return.ppt

Process Description/Narrative

This process covers the assignment of appropriate tax depreciation methods, lives, and conventions to assets acquired and recorded as Property, Plant, and Equipment (PP&E). The process starts with identification of new projects or the transfer of asset additions from the Power Plant (book PP&E software module) to Power Tax (tax PP&E software module). The Tax Analyst may also consult with associates in Fixed Asset Accounting or Business Unit associates to obtain a clear understanding of the new assets. They will then review various tax resources to determine the proper tax treatment of that asset.

Having established the proper tax treatment for an asset the analyst will then update the Power Tax software to add the asset to an existing or establish a new tax class. The Power Tax software is programmed to properly track the tax depreciation based on the method, life and convention assigned to a particular tax class and vintage. A Supervisor or Manager will review the update process to confirm proper application of tax depreciation rules.

The Analyst and Supervisor review Power Tax system reports for errors and omissions and to balance the transfer of data from the Power Plant system to ensure that all asset transactions have been successfully included in Power Tax.

For assets which are currently maintained outside of the Power Tax software (typically these assets are also tracked outside of the Power Plant software and involve assets owned by small Cinergy subsidiaries) the Analyst and Supervisor perform essentially the same steps by updating or creating and reviewing Excel spreadsheets to track the method, life and convention for the particular tax class and vintage.

Frequently Asked Questions

Q1. What is the impact of incorrect application of depreciation?

A. Failure to properly apply the appropriate tax code and regulations may result in the inappropriate calculation of tax depreciation. This could result in the loss of accelerated tax depreciation benefits and the incorrect recording and payment of tax liabilities.

Procedure

Procedure for assigning appropriate tax depreciation methods, lives and conventions

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tom Hunt Dennis Wulker	1. Tax Department is informed of new projects or new assets by various departments and business units through e-mail, project teams, or meetings.
Tax Department	Tom Hunt	2. Depreciation Analyst consults various tax resources, such as cch depreciation guide and other relevant research material to determine the proper depreciation methods, lives and conventions for the newly created assets.
Tax Department	Tom Hunt	3. The Depreciation Analyst enters asset information into the power tax software either by adding an asset to an established asset class, or by establishing a new asset tax class. At the time of data entry the asset is assigned depreciation methods, lives and conventions.
Tax Department	Dennis Wulker	4. The Depreciation Supervisor reviews the Analyst's determinations and data entry inputs. First, the source documents are reviewed along with any other research that has been gathered to support the analyst's determination.
Tax Department	Dennis Wulker	5. The Depreciation Supervisor reviews all new assets entered into the power tax software. The Supervisor ensures the correct, methods, lives and convention are assigned. Any errors are corrected.
Tax Department	Dennis Wulker	6. Depreciation Supervisor imports fixed asset information from the Power Plan software into the Power Tax software. An error report is generated if an asset was entered into the Power Plan software, but not the Power Tax software.
Tax Department	Dennis Wulker	7. The Depreciation Supervisor/Analyst runs various reports to ensure that all necessary data entered into the Power Plan fixed asset software has also been entered into the Power Tax software.

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dennis Wulker	8. Generated error reports that cannot be resolved by the tax depreciation group are discussed with the fixed asset supervisor. Once resolved, the appropriate adjustment is made within the power tax system. The asset is appropriately categorized and entered into the system.

Training and Documents

Training:

- Power Tax System, Power Plant System, Federal and Jurisdictional Regulatory Requirements, SQL, Microsoft Office Software.

Additional Documents:

- BDMS

Who Should Know

- Tax

Related Information

Tax Compliance Income Ohio Fixed Asset Processing Policy
Tax Compliance Income Indiana Fixed Asset Processing Policy

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Dennis Wulker	Coordinator	Tax
Tom Hunt	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS – Business Data Management System

Power Tax System - The PC based computer system used to accumulate and maintain the corporate fixed assets for tax purposes. This includes the calculation and maintenance of the various types of tax depreciation, their accumulated reserves, and any related deferred taxes.

Power Plant System - The PC based computer system used to accumulate and maintain the corporate fixed assets for financial purposes. This includes the calculations and maintenance of the book depreciation and reserve balances.

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update procedure for process changes
- Update procedure for personnel changes
- Update Who Should Know
- Update Contacts
- Update procedure for Process Description/Narrative



Tax Compliance-Income Tax Depreciation

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide complete and accurate calculations of various tax depreciations on the corporate fixed assets.

Reason for Policy

To ensure tax depreciation methods and lives are assigned according to appropriate tax laws and regulations

Process Flows

See attached Federal Return Flow Chart



Federal Return.vsd



Federal Return.ppt

Process Description/Narrative

This process covers the assignment of appropriate tax depreciation methods, lives, and conventions to assets acquired and recorded as Property, Plant, and Equipment (PP&E). The process starts with identification of new projects or the transfer of asset additions from the Power Plant (book PP&E software module) to Power Tax (tax PP&E software module). The Tax Analyst may also consult with associates in Fixed Asset Accounting or Business Unit associates to obtain a clear understanding of the new assets. They will then review various tax resources to determine the proper tax treatment of that asset.

Having established the proper tax treatment for an asset the analyst will then update the Power Tax software to add the asset to an existing or establish a new tax class. The Power Tax software is programmed to properly track the tax depreciation based on the method, life and convention assigned to a particular tax class and vintage. A Supervisor or Manager will review the update process to confirm proper application of tax depreciation rules.

The Analyst and Supervisor review Power Tax system reports for errors and omissions and to balance the transfer of data from the Power Plant system to ensure that all asset transactions have been successfully included in Power Tax.

For assets which are currently maintained outside of the Power Tax software (typically these assets are also tracked outside of the Power Plant software and involve assets owned by small Cinergy subsidiaries) the Analyst and Supervisor perform essentially the same steps by updating or creating and reviewing Excel spreadsheets to track the method, life and convention for the particular tax class and vintage.

Frequently Asked Questions

Q1. What is the impact of incorrect application of depreciation?

A. Failure to properly apply the appropriate tax code and regulations may result in the inappropriate calculation of tax depreciation. This could result in the loss of accelerated tax depreciation benefits and the incorrect recording and payment of tax liabilities.

Procedure

Procedure for assigning appropriate tax depreciation methods, lives and conventions

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tom Hunt Dennis Wulker	1. Tax Department is informed of new projects or new assets by various departments and business units through e-mail, project teams, or meetings.
Tax Department	Tom Hunt	2. Depreciation Analyst consults various tax resources, such as cch depreciation guide and other relevant research material to determine the proper depreciation methods, lives and conventions for the newly created assets.
Tax Department	Tom Hunt	3. The Depreciation Analyst enters asset information into the power tax software either by adding an asset to an established asset class, or by establishing a new asset tax class. At the time of data entry the asset is assigned depreciation methods, lives and conventions.
Tax Department	Dennis Wulker	4. The Depreciation Supervisor reviews the Analyst's determinations and data entry inputs. First, the source documents are reviewed along with any other research that has been gathered to support the analyst's determination.
Tax Department	Dennis Wulker	5. The Depreciation Supervisor reviews all new assets entered into the power tax software. The Supervisor ensures the correct, methods, lives and convention are assigned. Any errors are corrected.
Tax Department	Dennis Wulker	6. Depreciation Supervisor imports fixed asset information from the Power Plan software into the Power Tax software. An error report is generated if an asset was entered into the Power Plan software, but not the Power Tax software.
Tax Department	Dennis Wulker	7. The Depreciation Supervisor/ Analyst runs various reports to ensure that all necessary data entered into the Power Plan fixed asset software has also been entered into the Power Tax software.

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dennis Wulker	8. Generated error reports that cannot be resolved by the tax depreciation group are discussed with the fixed asset supervisor. Once resolved, the appropriate adjustment is made within the power tax system. The asset is appropriately categorized and entered into the system.

Training and Documents

Training:

- Power Tax System, Power Plant System, Federal and Jurisdictional Regulatory Requirements, SQL, Microsoft Office Software.

Additional Documents:

- BDMS

Who Should Know

- Tax

Related Information

Tax Compliance Income Ohio Fixed Asset Processing Policy
 Tax Compliance Income Indiana Fixed Asset Processing Policy

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Dennis Wulker	Coordinator	Tax
Tom Hunt	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Power Tax System - The PC based computer system used to accumulate and maintain the corporate fixed assets for tax purposes. This includes the calculation and maintenance of the various types of tax depreciation, their accumulated reserves, and any related deferred taxes.

Power Plant System - The PC based computer system used to accumulate and maintain the corporate fixed assets for financial purposes. This includes the calculations and maintenance of the book depreciation and reserve balances.

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update procedure for process changes
- Update procedure for personnel changes
- Update Who Should Know
- Update Contacts
- Update procedure for Process Description/Narrative



Tax Compliance-Income Tax Shelter & Other Reportable Transactions

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to make complete, accurate, and timely filing of the federal income tax return.

Reason for Policy

To ensure procedures are in place to identify and disclose in the Federal Tax Return transactions that are considered tax shelters

Process Flows

See attached Federal Return Flow Chart.



Federal Return.vsd



Federal Return.ppt

Process Description/Narrative

This procedure describes the process of identifying reportable transactions. On a yearly basis the Vice-President of Tax sends a memo to Senior Management outlining the current rules regarding reportable transactions. The Vice-President follows up with any correspondences that identify possible reportable transactions. All reportable transactions are documented and disclosed on the appropriate tax return filings.

Frequently Asked Questions

Q1. What is the impact of failing to identify and disclose reportable transactions?

A. Failure to properly identify and disclose reportable transactions can result in penalties as high as \$250,000 per transaction not disclosed.

Procedure

Procedure for identifying reportable transactions

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Alex Torok	1. Vice President annually sends memo to Senior Management outlining the existing rules regarding tax shelters and other reportable transactions. Senior Management is directed to pay particular attention to the "What Needs to be Disclosed" and the appendix part of the memo.
Tax Department	Alex Torok	2. Next, (Initially, company wide, then on an as needed basis.) Vice President to meet with Senior Management to discuss tax shelters and reportable transactions rules.
Tax Department	Alex Torok, Tax personnel, various	3. Next, (at least annually) Vice President to discuss with Senior Management transactions that might be tax shelters or reportable transactions or transactions that are substantially similar to those types of transactions.

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Alex Torok, Tax personnel, various	4. Potential reportable transactions documentation will be identified, collected and reviewed by the Vice President of Tax, and various other qualified tax personnel.
Tax Department	Alex Torok John Lechko Brett Faris	5. Documentation of transactions that are identified as reportable will be kept in the tax department. The Tax Manager, The Senior-lead Analyst and the Audit Supervisor will be made aware of the transaction and the documentation.
Tax Department	Supervisor, Senior-Analyst/ Analyst, Various	6. The Tax Compliance group will prepare and timely file all forms and schedules to properly report all reportable transactions.

Training and Documents

Who Should Know

- CEO/CFO
- Senior Management
- Tax Department

Related Information

Tax Compliance Income Consolidated Federal Return Policy

Contacts

Name	Role	Dept
Alex Torok	Vice President	Tax
Brett Faris	Senior-Lead Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 04/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative
- Update policy for Process Flows

The following revision is effective 09/01/05:

- Update policy for personnel change



Tax Compliance-Indirect IFTA & Kentucky/Indiana Weight Tax Return & Payments

Functional Area: Tax
Sarbanes-Oxley: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurately and timely filed IFTA & Kentucky/Indiana Weight Tax Returns and Payments.

Reason for Policy

To ensure procedures are in place to accurately complete and file federal excise tax returns and payments

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for preparing and filing International Fuel Tax Agreement (IFTA) and Weight Distance tax returns to comply with state and federal tax laws. The IFTA tax is imposed on vehicles for miles traveled in a state. The Weight Distance tax is imposed on vehicles over 59,999 lbs. for miles traveled in a state.

The Transportation Department maintains records that track the type of fuel purchased and the miles traveled within each state by vehicle for each month. The Transportation Department provides this information to the Tax Department to prepare the IFTA and Weight distance tax returns.

In the Tax Department the Tax Clerk prepares the IFTA and Weight Distance tax returns and check requests. The Tax Supervisor reviews everything and signs the returns and check requests. After making a copy of the checks (issued by Accounts Payable) and signed tax returns, the Tax Clerk mails the returns and checks to the tax authorities by the due date of the tax return. The IFTA and Weight Distance tax returns are due on a quarterly basis on 1/31; 4/30; 7/31; and 10/31.

Frequently Asked Questions

Q1. What is a "weight distance" tax return?

A. A "weight distance" tax is imposed on vehicles weighing over 59,999 lbs for miles traveled in a particular state.

Procedure

Procedure for preparing IFTA & Kentucky/Indiana Weight Tax Returns and Payments

DEPARTMENT	RESPONSIBILITY	ACTION
Transportation	Joyce Uhl	1a. Generate and distribute via e-mail, by the 20 th of the month, an Excel file that details the fuel usage and miles in each state for each qualified vehicle for CG&E, ULH&P and LG monthly.
Materials Management	Melanie Jones	1b. By the 20 th of the month, generate

Tax Compliance-Indirect IFTA & Kentucky/Indiana Weight Tax Return & Payments

		a report from the A/P system that details gallons of fuel by vehicle number.
Transportation	Gayle Collins	1c. Forward odometer readings to Data Processing who generates a report that contains ending mileage by month by vehicle number and forwards to Tax by the 25 th of the month.
Tax Department	Patricia Colvin	2. By the 25 th of the month, transfer miles, total gallons, types of fuels per vehicle per state into Excel worksheet which sorts and totals by: <ul style="list-style-type: none"> • fuel types (diesel, gasoline, propane) • total fuel • fuel purchased elsewhere • total miles • miles by state
Tax	Patricia Colvin	3a. Enter monthly totals into an Excel worksheet that calculates by: <ul style="list-style-type: none"> • average miles/unit per gallon by fuel type • Tax liability per fuel type. <i>Note: Accomplish these tasks by 4/30, 7/30, 10/30, 1/30.</i>
Tax	Patricia Colvin	3b. Reference worksheet which automatically calculates: <ul style="list-style-type: none"> • KY miles for vehicles over 59,999 lbs.
Tax	Patricia Colvin	3c. Manually calculate liability by multiplying totals by tax rate.
Tax	Patricia Colvin	3d. Forward completed worksheet to admin for typing. <i>Note: Accomplish these tasks by 4/30, 7/30, 10/30, 1/30.</i>
Tax	Debbie Roetting	4. Type completed copy of return using the pencil-copy as a reference and forward to John Lechko by 4/30, 7/30, 10/30, 1/30.
Tax	Patricia Colvin	5. Complete the request for payment and hand deliver to Accounts Payable by 4/30, 7/30, 10/30, 1/30.
Tax	Jim Kerr	6. Review and sign RFP and completed return by 4/30, 7/30, 10/30, 1/30.
Tax	Debbie Roetting	7. Mail return package that includes return and payment by 4/30, 7/30, 10/30, 1/30.

Training and Documents

Who Should Know

- Vice President Tax
- Director Tax
- Supervisor Tax
- Transportation
- Materials Management

Related Information

Request for Payment - Accounts Payable

Contacts

Name	Role	Department
Alex Torok	Vice President	Tax
Deborah Larke	Director	Tax
Jim Kerr	Supervisor	Tax
Patricia Colvin	Clerk	Tax
Debbie Roetting	Administrative Assistant	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership

- Update policy to reflect reorganization of manual
- Update procedure for Process Change
- Update procedure for Personnel Change
- Update Who Should Know
- Update Contacts
- Update policy for Description/Narrative

Control Environment-Administrative Tax Department Communication with Financial Management Tax Legislation



Control Environment-Administrative Tax Department Communication with Financial Management Tax Legislation

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide senior financial management and board/audit committee with a sufficient understanding and awareness of important tax compliance, financial reporting, controversy, planning and other issues, and the significance of taxes as part of the rate making process.

Reason for Policy

To ensure a protocol has been established for regular, documented communication regarding important tax issues with senior financial management and the board/audit committee

Process Flows

Control Environment-Administrative Tax Department Communication with Financial Management Tax Legislation

None

Process Description/Narrative

This procedure describes how the Tax Department communicates legislative changes to senior financial management. The Vice-President of Tax prepares written documents, sends e-mails, attends meetings, and has verbal communications with senior financial management on a regular basis to keep them abreast of significant changes in tax legislation that impacts the company.

Frequently Asked Questions

Q1. Why is it important that senior financial management have an in depth understanding of the Tax Department and its inner workings?

A. An understanding of the output of the Tax Department is necessary to overall business planning and accurate financial reporting. Important future tax liabilities could be missed in the budgeting process that could negatively effect earnings per share.

Procedure Tax

Tax Department communication with senior financial management

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Alex Torok	1. A bi-weekly report of Tax Department activities is prepared and submitted to the Vice President of Finance for inclusion in the agenda for the bi-weekly CFO meetings.
Tax Department	Alex Torok	2. Alex Torok attends the bi-weekly CFO meetings where senior financial management is updated on all current and pending tax legislation that could have an impact on the company.
Tax Department	Alex Torok	3. Alex Torok regularly communicates changes in tax legislation to senior financial management either through written memos, e-mails or verbally. Significant changes in tax legislation that impacts the company is communicated

Control Environment-Administrative Tax Department Communication with Financial Management Tax Legislation

DEPARTMENT	RESPONSIBILITY	ACTION
		by written memo and distributed by e-mail to senior financial management.

Training and Documents

Who Should Know

- Board of Directors
- Audit Committee
- CEO & CFO
- Tax Department

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
John Lechko	Manager	Tax
Leanne Cropper	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual

Control Environment-Administrative Tax Department Communication with Financial Management Tax Legislation .

- Update policy for Process Description/Narrative



Tax Systems-Income Master L-1

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide in-house tax systems that are accurate and in a form needed by the Tax Department.

Reason for Policy

To ensure procedures are in place to guarantee that content within in-house tax systems are accurate and in a format needed by the Tax Department

Process Flows

None

Process Description/Narrative

The Consolidated Book to Tax reconciliation schedule, commonly referred to as the

Tax Systems-Income Master L-1

Master L-1, is an Excel-based spreadsheet maintained for each return cycle to reconcile book income to taxable income, as well as detail all schedule M-1 adjustments. This schedule is maintained with individual entity level detail for all companies included in the Consolidated Federal Income Tax Return. This schedule serves as the incremental step for reconciling taxable income for each individual entity to the consolidated taxable income reported on the Consolidated Federal Income Tax Return. The Master L-1 functions as a reconciling tool for the federal compliance software, ensuring the integrity of the consolidating and eliminating adjustments throughout the return cycle.

Once the internally circulated financial statements, commonly referred to as LER, have been finalized for a calendar year, the process of populating the Master L-1 can begin. Net income applicable to common stock is entered on an entity-by-entity basis from LER's Income Statement. Adjustments including federal income taxes, state income taxes and equity in consolidated subsidiaries are then entered to arrive at book income before income taxes. This amount is then compared with book income before tax from the BDMS Tax Closing Reports and any variances are investigated and reconciled. Book to Tax differences, commonly referred to as Schedule M-1's, estimated throughout the year, are then entered from the BDMS Tax Closing Reports on an entity-by-entity basis to arrive at federal taxable income.

As Tax Analysts prepare individual income tax returns, the estimated book to tax differences are replaced with the actual amounts in the Master L-1. The preparers change the font of these adjustments from black to blue to signify that the adjustments have been finalized. Continuously throughout the return process the consolidated Master L-1 taxable income is compared to the tax compliance system's taxable income and any variances are analyzed and corrected. Ultimately, this schedule is reviewed by the Tax Supervisors to ensure the accuracy of the Consolidated Federal Income Tax Return.

Frequently Asked Questions

Q. What is the result of failing to review in house tax systems?

A. A failure to review in-house tax systems can lead to inaccurate output data that results in over or under reporting of income on the federal tax return.

Procedure

Procedure for Master L-1

DEPARTMENT	RESPONSIBILITY	ACTION
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Tax Systems-Income Master L-1

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Brian Neiseihel	1. The Consolidated Book to Tax reconciliation schedule, commonly referred to as the Master L-1, is an Excel spreadsheet maintained for each return cycle to reconcile book income to taxable income, as well as detail all schedule M-1 adjustments. This schedule is maintained with entity level detail for all companies included in the Consolidated Federal Income Tax Return. The Master L-1 functions as a reconciling tool for the federal compliance software.
Tax Department	Tax Analysts, various	2. Once Corporate Accounting has closed the books for the year the process of populating the Master L-1 can begin. First, net income per the books is entered on an entity-by-entity basis using information provided by the internally circulated income statements, commonly referred to as LER. Next, amounts for federal & state income taxes, equity in consolidated subsidiaries & other reconciling items are added to the net income to arrive at book income before taxes.
Tax Department	Tax Analysts, various	3. Book income before tax is then entered from the BDMS Tax Calculation reports and any variances between this and the previous entries are examined & reconciled. Next, accrual book tax differences and credits are entered to arrive at both entity & consolidated taxable income & tax liability.
Tax Department	Jim Kerr Brett Faris	4. This schedule and its supporting documentation are then reviewed by the Lead Tax Analyst & Supervisor of State, Local & Other taxes.
Tax Department	Tax Analysts, various	5. When a Tax Analyst completes an individual income tax return, the updated book tax differences are entered in the Master L-1 and their font is changed from black to blue to indicate to the consolidated preparer that the adjustment has been finalized.

Tax Systems-Income Master L-1

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Kerr Brett Faris	6. When all book tax differences are finalized the consolidated Master L-1 is then reconciled to the consolidated Federal Form 1120 from the Federal compliance software to ensure accuracy & is then reviewed by the Lead Tax Analyst & Supervisor of State, Local & Other Taxes.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Managers
- Tax Supervisors
- Senior Analysts/ Analysts

Related Information

Contacts

Name	Role	Dept
Alex Torok	Vice President	Tax
Jim Kerr	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Systems-Income Reconciliation of Revenue Financial Statements (FERC) to Form 1120

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide in-house tax systems that are accurate and in a form needed by the Tax Department.

Reason for Policy

To ensure procedures are in place to guarantee that content within in-house tax systems are accurate and in a format needed by the Tax Department

Process Flows

None

Process Description/Narrative

This process is a basic control measure to ensure that amounts reported on the Consolidated Federal Income Tax Return, Form 1120, accurately reflect items of income and expense reported on the published financial statements. Reconciling variances arise due to differences in filing requirements and consolidation rules between the IRS and GAAP.

The responsible Analyst begins by listing key financial statement items, such as gross receipts and net income, and then compares this with amounts reported on the Consolidated Federal Income Tax Return. All variances require explanations, which are ultimately reviewed by the Tax Supervisors prior to the return filing deadline.

Frequently Asked Questions

Q. What is the result of failing to review in house tax systems?

A. A failure to review in-house tax systems can lead to inaccurate output data that results in over or under reporting of income on the federal tax return.

Procedure

Procedure for Reconciliation of Revenue

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	1. The Analyst starts with revenue reported on the FERC reports for the Cincinnati Gas & Electric Company (CG&E), PSI Energy, Inc. ("PSI"), and The Union Light, Heat and Power Company ("ULH&P").
Tax Department	Tax Analysts, various	2. Then the Analyst examines the detail making up gross receipts in the FERC reports.

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Tax Analysts, various	3. Then the Analyst reclasses certain items of income from FERC gross receipts to report these items of income on the correct line of Form 1120. (i.e., for tax purposes, the analyst reclasses interest income, dividend income, rental income, gains and losses, and other income from FERC gross receipts to the correct line of Form 1120.)
Tax Department	Tax Analysts, various	4. Then, for tax purposes, the Analyst reports the remaining gross receipts (after reclasses) on line 1 of Form 1120.
Tax Department	Tax Analysts, various	5. Finally, after the end of each year, the Analyst prepares a reconciliation worksheet for CG&E, PSI and ULH&P. The reconciliation worksheet starts with financial statement gross receipts, then details the reclass items as reconciliation items, and finally with gross receipts as shown on Form 1120.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Managers
- Tax Supervisors
- Senior Analysts/ Analysts

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Jim Kerr	Supervisor	Tax
Brett Faris	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Accounting-Income Adjustments to Actual (Book to Return)

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate current deferred income tax account balances in financial statements.

Reason for Policy

To ensure procedures are in place to review deferred tax assets and liabilities

Process Flows

See attached Income Tax Accrual Processing Flow Chart.



Income Tax
Accrual.vsd



Income Tax
Accrual.ppt

Process Description/Narrative

In the BDMS Tax Module the accrual to return adjustment of the tax provision (adjustment-to-actual AtA is labeled FAS109). The Analyst sets-up the FAS109 AtA process by contacting Cinergy IT so that prior year accrual schedule M's can be loaded to the FAS109 process. As part of this initial process the Analyst ensures/cautions IT to backup for retention the prior year FAS109 AtA information. Then the Analyst sets the mechanical entry information to use tax adjustments TX800-federal and TX810-state instead of the standard monthly accrual entries TX482/484.

The mechanical deferral adjustments are reviewed and any adjustment not needed for the cycle is removed. The Analyst will then load the AtA data from the tax return L2 report for each assigned company. The required amount is the accrual to return schedule M differences which is calculated on the tax return schedule L2 the amount is loaded in the Tax Manual Input Detail FAS109 screen.

The tax module FAS109 process will calculate the current income tax provision effect. The Analyst calculates the deferred income tax provision and manually enters that information to the FAS109 process in the tax module. The tax module prepares an automated journal entry G/L interface file to post the adjustment-to-actual results as journal entries TX800-federal income taxes and TX810-state income taxes.

Frequently Asked Questions

Q1. What is the impact of failing to review deferred tax assets and liabilities?

A. A failure to review and update the deferred tax accounts could lead to a failure to identify and quantify temporary differences; inappropriate entries can be made to tax accounts; deferred tax assets could be improperly valued; and exposure items could have inadequate reserves.

Procedure

Procedure for preparing adjustments to actual (book to return)

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Chen Kristi Buddo	1. The Analyst prepares the FAS 109 module: the Analyst contacts Scott Dees, IT Technology Analyst, to load the prior year's accrual M-1 adjustments into the TAX FAS 109 tab in Accounting Data Setup. The IT contact will need to be advised to load adjustments with an accounting period of 20XX12. The IT

		contact will also load the federal and state tax modules into the federal and state tax info fas 109 buttons to calculate and record current tax on the M-1 adjustments.
Tax Department	Jim Chen Kristi Buddo	2. Analyst changes all journal entry numbers in the federal and state tax info fas 109 buttons from the accrual mechanical journal entries of TX482 and TX484, to adjustment to actual specific journal entries of TX800 and TX810.
Tax Department	Jim Chen Kristi Buddo	3. Analyst removes any mechanical deferrals that have been loaded in the Deferred Tax FAS 109 button that will not be used to calculate and record deferred taxes for this process.
Tax Department	Jim Chen Kristi Buddo	4. Analyst prepares the adjustment to actual calculation and performs data entry. The Analyst takes the L-2 report that identifies accrual Schedule M's and actual schedule M's and determines book to return adjustments that will be recorded by corp in the Tax Manual Input Detl FAS 109 button in the Adjusted Amount field. <i>Note:(Although amounts can be entered, in the Transamt field, no current or deferred tax will be recorded by the module if entered)</i>
Tax Department	Jim Chen Kristi Buddo	5. Analyst then posts the changes to the schedule Ms in the accrual to actual Tax module in the accounting software package BDMS. As the adjusted amounts are being entered, change the accounting period from the year-end accrual to the period the adjustments are to be recorded.
Tax Department	Jim Chen Kristi Buddo	6. If the M-1 adjustment is not related to a specific general ledger account number, a 0 default account is used.
Tax Department	Jim Chen Kristi Buddo	7. If a timing M is not using the mechanical Deferred Tax FAS 109 button to calculate deferred tax on an adjustment; a manual deferred tax entry is prepared in the Deferred Tax Override button. The deferred tax amounts are entered on a balance sheet basis. (For example, if the object is to debit account 410100, an income statement account, the deferred tax amount would be entered as a negative adjustment.) As these

Tax Accounting-Income Adjustments to Actual (Book to Return)

		adjustments are created, change the accounting period to the period in which the adjustments are to be recorded.
Tax Department	Jim Chen Kristi Buddo	8. Analyst analyzes the adjustment to actual results: To calculate the current and deferred tax impact of the proposed adjustments, the Analyst selects "Print" as the entries for each corp are displayed on the screen from both the Tax Manual Input Detl Fas 109 and the Deferred Tax Override buttons.
Tax Department	Jim Chen Kristi Buddo	9. Analyst multiplies the Adjusted Amounts by the rates from the Federal and State tax info fas 109 buttons to calculate the expected current tax impact of the adjustments. This amount when compared with the amounts entered in the Deferred Tax Override button will be the expected tax impact of the adjustments to actual.
Tax Department	Jim Chen Kristi Buddo	10. The actual current and deferred tax impact on the income statement relating to the adjustments to actual can be analyzed by running an FRT ad-hoc query on the journal entries used to record the tax. For example, include the following fields in a sumtransmry query: acctper, journalentryno, with a constraint of TX800 and TX810, rescorp, transamt, acctdescl and taximplcind, with a statement impact of the adjustments to actual.
Tax Department	Dave Yelton Alex Torok	11. Management reviews the summary report and supporting documentation for evidence of accuracy. (The Manager pulls the adjustments to actual binder to review Analyst's work.)
Tax Department	Jim Chen Kristi Buddo	12. Data warehouse runs the "Tax Module" which posts the entries to the General Ledger.
Tax Department	Jim Chen Kristi Buddo	13. Analyst runs a query in the accounting software (BDMS) for each legal entity and reviews it for reasonableness.
Tax Department	Dave Yelton Alex Torok	14. Manager reviews the report run from BDMS for reasonableness and accuracy; any variances are corrected by the Analyst and reviewed by management.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Accounting Manager
- Senior Analysts/ Analysts

Related Information

Contacts

Name	Role	Dept
David B. Yelton	Manager	Tax
Alex Torok	Vice President	Tax
Kristi Buddo	Senior Analyst	Tax
Jim Chen	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for Process Description/Narrative
- Update policy for Process Flows
- Update Contacts

- Update Who Should Know



Tax Accounting-Income FAS 109 Calculation

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to provide for accurate current and deferred income tax account balances in financial statements.

Reason for Policy

To ensure procedures are in place to ensure the reporting of current and deferred income tax accounts are in conformity with Financial Accounting Standards Board Statement (FAS) #109 - Accounting for Income Taxes

Process Flows

See attached Income Tax Accrual Processing Flow Chart.



Income Tax
Accrual.vsd



Income Tax
Accrual.ppt

Process Description/Narrative

The FAS109 update process begins with an analyst running a series of PBR tax closing reports including the Tax Calculation, Mechanical and Manual deferral detail, schedule M detail, FAS109 mechanical and Schedule M detail, and tax analysis reports. However, not all reports are needed by each company. The Tax Analysis Report TC17 is run for all companies and a version is downloaded to an excel file so that plant and non-plant schedule M's can be separated.

The various data subsets are grouped and the deferrals for the groups are individually calculated including any associated gross-up's so that adjusting journal entries may be prepared. The calculations provide the adjustment amounts for deferred tax assets or liabilities as well as the associated regulatory assets and liabilities.

The Analyst ensures that all schedule M's are considered by reviewing the tax analysis reports and comparing them to the various reports run in the first step in this process. Each report provides certain unique confirmative opportunities, these are tested and documented to provide evidence of the confirmation that all adjustments have been considered and the FAS109 effect calculated.

The Tax Manager or Supervisor reviews the supporting documentation and verifies that any corrections have been properly reflected before they indicate their approval of the work product. The adjusting journal entries are prepared by the Analyst and approved by the Manager or Supervisor.

Frequently Asked Questions

Q1. What is the impact of failing to review current and deferred income tax accounts?

A. Cumulative temporary differences may not be regularly analyzed and reconciled which could lead to misstated balance sheet accounts.

Procedure

Procedure for preparing the FAS 109 Calculation

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Chen Kristi Buddo	1. Tax Analyst runs the following Closing Reports under PBR:

DEPARTMENT	RESPONSIBILITY	ACTION
		a. TC03, Tax Calculation b. TC06, Mechanical Deferred Tax Detail for YTD c. TC07, Manual Deferred Tax Detail for YTD d. TC08, Schedule M Detail for YTD e. TC14, FAS 109 Mechanical Deferred Tax Detail for YTD f. TC15, FAS 109 Schedule M Detail for YTD g. TC16, Combined Schedule M Detail for YTD h. TC17, Tax Analysis Report <i>Note: Not ALL CORPS will use all the Reports generated above.</i>
Tax Department	Jim Chen Kristi Buddo	2. After the Tax Analysis Report is generated into Excel, Tax Analyst separates Fixed Asset Schedule M's apart from the rest of the M's (i.e. 1102, 1115, 1123, 1124, 1130, etc...).
Tax Department	Jim Chen Kristi Buddo	3. Tax Analyst also formulates the spreadsheet as follows: a. M Adjustment Sub-Total is Module plus Adjustment to Actual. b. Calculated Balance is M Adjustment Sub-Total times the Statutory Rate. c. Total Actual Deferred is Mechanical Module plus Manual Module, plus Adjustment to Actual Deferrals. d. Difference in Deferred Tax is the Calculated Balance minus the Total Actual Deferred. e. Gross-Up equals Difference in Deferred Tax multiplied by 1/(1-Statutory Rate) minus the Difference in Deferred Tax. f. Dr/(Cr) JE Amount equals the Difference in Deferred Tax plus Gross-Up.
Tax Department	Jim Chen Kristi Buddo	4. Tax Analyst will determine the Accrued Deferral Federal Income Tax - FAS 109 as follows: a. Asset (19021) equals the Dr JE Amount formulated in Step 3, f above. b. Liability-Plant (28225) equals the Cr JE Amount formulated in Step

Tax Accounting-Income FAS 109 Calculation

DEPARTMENT	RESPONSIBILITY	ACTION
		<p>3 f above, but are only the Schedule M's from Fixed Assets (formulated in Step 2).</p> <p>c. Liability-Non Plant (28319) equals the Cr JE Amount formulated in Step 3, f above, but are only the Schedule M's not included with the Fixed Assets.</p> <p>d. Regulatory Liability (25430) equals the Dr JE Amount formulated in Step 3, f above, but is actually is reported as a credit due to being a liability.</p> <p>e. Regulatory Asset (18230) equals the Cr JE Amount formulated in Step 3, f above (contains all Schedule M's regardless if it is within Fixed Assets or not), but is reported as a debit due to being an asset.</p>
Tax Department	Jim Chen Kristi Buddo	<p>5. Tax Analyst will reconcile any Schedule M's not accounted for when the Tax Analysis Report was generated.</p> <p>a. Reconciling Items can be one of the following two:</p> <p>I. Adjusting Entry Necessary</p> <p>A. This would consist of Schedule M's that need to be corrected in the upcoming close.</p> <p>B. These entries need to be included when determining the Accrued Deferral Federal Income Tax - FAS 109 Asset or Liability created in Step 4.</p> <p>II. No Adjusting Entry Necessary</p> <p>A. This would consist of Schedule M's that are not generated in the report and are being generated in other supporting reports listed in Step 1.</p>

Tax Accounting-Income FAS 109 Calculation

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Chen Kristi Buddo	<p>6. The Tax Analyst needs to confirm that totals are correct. He/She is able to give the confirmation by using the closing reports generated in Step 1. The following is what needs to be confirmed with the appropriate Closing Report.</p> <ul style="list-style-type: none"> a. If there are Reconciling Items needing an Adjusting Entry, then the total Module Amounts including that entry must be equal to the total on TC03, Tax Calculation. If there is no Reconciling Items needing an Adjusting Entry, then the Total Module Amounts generated on TC17, Tax Analysis Report must be equal to the total on TC03. b. If there are Reconciling Items not needing an Adjusting Entry, these items plus the Module Amounts already generated on the Tax Analysis Report can be found on TC08, Schedule M Detail Report c. The total amount for Adjustment to Actual needs to equal the total on TC15, FAS 109 Schedule M Detail YTD. d. The total amount for M Adjustment Sub-total must equal the total on TC16, Combined Schedule M Detail YTD. e. The total amount for Mechanical Module must equal the total from TC06, Mechanical Deferred Tax Detail YTD. f. The total amount for Manual Module must equal the total from TC07, Manual Deferred Tax Detail YTD. g. The Adjustments to Actual Deferral total must equal the total from TC14, FAS 109 Mechanical Deferred Tax Detail.
Tax Department	Jim Chen Kristi Buddo	7. The Tax Analyst calculates the totals for the Accrued Deferral Federal Income Tax - FAS 109 (Assets and Liabilities).
Tax Department	Jim Chen Kristi Buddo	8. The Tax Analyst gathers the totals from Step 7 as the Current Year's FAS 109 Journal Entry.

Tax Accounting-Income FAS 109 Calculation

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dave Yelton	9. Work-papers prepared by the Tax Analyst in Steps 1 through 8 are reviewed. Corrections identified by the review step are provided to the Analyst who then repeats steps 1 through 8 as required. Tax Manager or Supervisor reviews the changes made by Analyst to ensure that corrections have been properly reflected in the workpapers.
Tax Department	Jim Chen Kristi Buddo	10. The Tax Analyst then transfers the Journal Entry TX 485, FAS 109, in Step 8 into the Journal Entry Tool in PBR. <ol style="list-style-type: none"> a. The Journal Entry can be Created. The empty shell of the entry will have to be filled in with the Pay Corp, JE No, Post, Limit, Notes, Work Code, and the Debit/Credit Amounts. b. The Journal Entry can be Predefined. The entry needs to be reviewed with the correct Debit/Credit Amounts included.
Tax Department	Jim Chen Kristi Buddo Dave Yelton	11. The Tax Analyst then saves and completes the entry. The Tax Manager or Supervisor approves the entry(ies) and evidence of the approval is added to the workpapers.

Training and Documents

Who Should Know

- Vice President Tax
- Tax Accounting Manager
- Senior Analysts/ Analysts
- Corporate Controller

Related Information

NAME	ROLE	DEPARTMENT
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Tax Accounting-Income FAS 109 Calculation

Alex Torok	Vice President	Tax
Dave Yelton	Manager	Tax
Kristi Buddo	Senior Analyst	Tax
Jim Chen	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for Process Description/Narrative
- Update Who Should Know
- Update Contact
- Update policy for Process Flows



Tax Accounting-Income Monthly Closing Process

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to monitor the monthly book income activity to ensure proper reporting of Federal and State Income taxes by accomplishing the following:

- Accomplish the monthly tax close activities. *NOTE: this process is based on a normal monthly-closing, actual workday reporting is dependent on the actual closing calendars which may be different for quarter or yearend reporting.*
- Accomplish the quarterly tax close activities
 - Financial Statement Disclosures, see process 05.03.01 for details on this separate procedure
- Accomplish year-end procedures which includes:
 - FAS109 calculation
 - Financial Statement Disclosures, see process 05.03.01 for details on this separate procedure
 - Financial Statement Footnotes see process 05.03.01 for details on this separate procedure
 - PBC's for the Deloitte & Touche Audit Team
 - Assisting the Deloitte & Touche Tax Audit Team

- Adjustment to actual entries (FIT & SNIT)
- Tax sharing entries (FIT)
- Support for FERC and other regulatory reporting

Reason for Policy

- To provide the tax information portion of the financial statements on a monthly basis for management reporting in support of decision-making and for rate case adjustments
- To provide the applicable tax related quarterly financial statement disclosures
- To provide information input into the consolidated Federal Income Tax return
- To provide the applicable tax related annual financial statement disclosures including applicable footnotes
- To provide support to the external auditors in their review of the company's tax related financial statement disclosures

Process Flows

See attached Income Tax Accrual Processing Flow Chart



Income Tax
Accrual.vsd



Income Tax
Accrual.ppt

Process Description/Narrative

The Tax Manager and VP-Tax attend meetings with General Accounting, Treasury, and other groups and gather information on unusual or significant transactions which are likely to impact the financial statements. Analysts are given guidance or instruction on how to address specific transactions as well as their standard reporting activities.

Analysts review new account activity using tax module report TC09, gather data on the activity from BU or General Accounting and set up the tax definitions for the account(s) including tax implication codes, mechanical or manual schedule M's (if appropriate) and obtain Manager or Supervisor approval for the account coding. Evidence of this activity is recorded in the New Accounts closing sign-

off sheet. For manual adjustments, the monthly activity is summarized on the Manual Adjustment sheet, the Manual Deferral Look-Up table is updated and journal entries TX 483 and TX486 are prepared for manger review and approval.

If new income tax accounts are required, the Analyst requests new account set-up from General Accounting and updates the various BDMS-Tax Module tables for recognition and proper use of the new account(s).

After entries are approved, the Analyst makes a "run database request" to the Financial Data Warehouse Analysts. The Analysts run various tax module reports to verify the effective tax rates and tax provision calculations for each assigned company. Tax Module reports used include TC02 ETR report; TC03 Tax Calculation (taxable income and current tax provision calculation); TC06 Mechanical deferred taxes; and TC07 Manual deferred taxes. Any errors detected by the Analyst are corrected prior to submission of the by company ETR summary for manager review and approval.

Business Unit and Legal Entity effective tax rate reconciliation analyses are completed and reviewed to substantiate the company's periodic tax provision calculations by legal entity and to ensure reasonableness of the BU allocation of income tax provision. These analyses include monthly and quarterly actual to budget and actual current to prior year comparisons.

The quarterly analyses are the primary support for tax related financial statement disclosures.

Frequently asked questions

Q1: What are the effective tax rates for the individual companies?

A: For the current effective tax rates contact Dave Yelton, Tax Department at 287-3308.

Procedure

Procedure for Monthly Closing Process

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Dave Yelton Alex Torok	1. Tax Manager and VP-Tax attend pre-closing meeting with Corporate Accounting. The purpose of the

Tax Accounting-Income Monthly Closing Process

		Corporate Accounting Department meeting is to discuss unusual transactions and other issues that will likely effect the current month's financial statements. Issues are broken down by business units and corporations, and further issues are reviewed such as variances; budgets & forecasts; new business; potential business; and reserves.
Tax Department	Dave Yelton Alex Torok	2. Management instructs Analysts as needed during the monthly closing process.
Tax Department	Jim Chen Kristi Buddo	3. The Analyst verifies the current month new accounts: The Analyst prints out New Accounts Report for all companies from BDMS/Other/Closing Status & Control Reports/Tax Control Reports/TC09 - New Accounts for This Period.
Tax Department	Jim Chen Kristi Buddo	4. The Analyst checks Tax Implication Codes for accuracy; investigates tax impacts; Sets up Schedule M in tax module if the new account(s) represent book/tax differences. Signs off New Accounts sheet in Closing Sign-off file. <i>Note: this process should be complete by the 4th working day.</i>
Tax Department	Jim Chen Kristi Buddo	5. The Analyst makes manual schedule m and deferred tax entries. The Analyst collects data from various departments and puts the supporting information in a monthly closing binder. The Analyst prepares a manual journal entry summary spreadsheet for deferrals and enters Schedule M amounts in BDMS/BDMS Code Setup/Accounting Data Setup/Income Tax/Tax Manual Input Detail and posts deferred federal and state income taxes (using JE TX483 & TX486) in BDMS/Journal Entry Tool/Enter tab
Tax Department	Dave Yelton	6. Tax journal entries are approved by the Tax Manager or Supervisor in tax accounting group.
Tax Department		7. The Analyst updates the Tax Manual Deferral Lookup table in

		BDMS for any new manual deferred tax journal entries and prints out manual Schedule M and manual deferred tax journal entries and puts them into the closing binder and self reviews them. <i>Note: this process should be complete by the 5th working day.</i>
Tax Department	Jim Chen Kristi Buddo	8. Analyst - sets up new mechanical schedule M and mechanical deferred tax entries in BDMS if needed. The Analyst sends New Account Requests to Kelly Henson, Management Reporting & Analysis to set up new deferred tax accounts. The Analyst sets up Work codes for the new deferred tax accounts in BDMS/BDMS Code Setup/Work Code Setup Wizard. The Analyst sets up mechanical Schedule M's in BDMS/BDMS Code Setup/Accounting Data Setup/Income Tax/Schedule M tab. The Analyst sets up mechanical Deferred Tax in BDMS/BDMS Code Setup/Accounting Data Setup/Income Tax/Deferred Tax tab. The Analyst prints out mechanical Schedule M set up sheets and mechanical deferred tax setup sheets from BDMS and puts them in the closing binder. The Analyst self reviews the printouts. <i>Note: this process should be complete by the 5th working day.</i>
Tax Department	Jim Chen Kristi Buddo	9. The Analyst runs the module during the close process as needed. The Analyst contacts John Linton, General Accounting Data Warehouse, to post journal entries and run tax module. <i>Note: this step in the process will be complete when the tax results are final and approved by management.</i>
Tax Department	Jim Chen Kristi Buddo Dave Yelton	10. The Analyst prints out reports from DBMS/Other/Closing Status & Control Reports/Tax Control Reports tab for the following reports: i) TC02 - Effective Tax Rate Reconciliation; ii) TC03 - Tax Calculation; iii) TC06 -Mechanical Deferred Tax Detail YTD

		iv) TC07 - Manual Deferred Tax YTD Reports are reviewed, and errors corrected. <i>Note: this process should be complete by the 6th working day.</i>
Tax Department	Jim Chen Kristi Buddo David Bissell Dave Yelton	11. The Manager reviews the various tax reports generated through step #7 and approves or has the Analyst process corrections, repeating steps 4 through 6 as needed. <i>Note: this process should be complete by the 6th working day.</i>
Tax Department	Jim Chen Kristi Buddo David Bissell Dave Yelton	12. The Manager, contacts General Accounting to inform them that tax-reporting process is complete. <i>Note: this process should be complete by the 6th working day.</i>
Tax Department	Jim Chen Kristi Buddo David Bissell Dave Yelton	13. The Analyst reconciles the effective tax rate by using Effective Tax Rate Reconciliation Report and prints out reconciliation workpapers and puts them into the closing binder. <i>Note: this process should be complete by the 9th working day</i>
Tax Department	Dave Yelton.	14. The Manger reviews the Effective Tax Rate Reconciliation report and the Manger instructs the Analyst to make changes if needed. <i>Note: this process should be complete by the 9th working day.</i>
Tax Department	Jim Chen Kristi Buddo	15. The Analyst makes change per the Manger's instructions and repeats steps 10 and 11 as necessary. <i>Note: this process should be complete by the 9th working day.</i>
Tax Department	Jim Chen Kristi Buddo	16. The Analyst prepares Tax Analysis Report based on TC17 - Tax Analysis Report in BDMS/Other/Closing Status & Control Reports/Tax Control Reports and saves it as Excel spreadsheet and puts it into a closing binder for internal Tax Department use. <i>Note: this process should be complete by the 6th working day.</i>
Tax Department	Jim Chen Kristi Buddo	17. The Analyst On a quarterly close basis prepares a reconciliation to statutory schedule for all entities. <i>Note: this analysis is dependent on when final Legal Entity Reports are available from Accounting. Note: this process should be complete by the 11th</i>

Tax Accounting-Income Monthly Closing Process

		<i>working day (Quarter End Only).</i>
Tax Department	Jim Chen Kristi Buddo	18. The Analyst, on a monthly basis, reviews new entities for appropriate tax treatment and establish on tax module as appropriate. <i>Note: this process should be completed monthly.</i>

Training and Documents

Who Should Know

- Vice President Tax
- Corporate Controller
- Tax Accounting Manager
- Corporate Accounting
- Senior Tax Analyst
- Tax Analyst
- Rate Dept. - Plainfield

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Kristi Buddo	Senior Analyst	Tax
Dave Yelton	Manager	Tax
Jim Chen	Senior Analyst	Tax
Alex Torok	Vice President	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative
- Update Contacts
- Update Who Should Know



Tax Accounting-Income New Schedule M Set Up

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to accurately set up new schedule M's.

Reason for Policy

To provide for procedures to accurately set up new schedule M's

Process Flows

None

Process Description/Narrative

The set up of a new Schedule M is completed through the use of the Accounting Data Set up feature in the BDMS system. The Tax Analyst determines the need for a new Schedule M through evaluating information obtained by the Manager regarding

unusual transactions, by reviewing new accounts, or from the adjustment-to-actual process. When a new M is created the Analyst will assign a status to the adjustment based on whether the book/ tax difference is permanent or temporary.

The Analyst will determine an appropriate number to be assigned to the schedule M. It may be that the new M is just new to a particular company so the set up can be copied from an existing or similar M. If the adjustment is temporary the Analyst will assign existing deferred tax accounts or set up new accounts. As part of the M set up the Analyst will also need to determine appropriate or set up new work codes.

The final step in the process is determining if the adjustment can be determined mechanically from some element of the underlying book activity, for example the change in balance for a contingent liability account or if manual calculations are required a manual adjustment is set up following the steps discussed in the monthly closing process.

Frequently Asked Questions

Q1. What is the impact of failing to set up new schedule M's in the tax module.

A. A failure to set up new schedule M's can lead to over or under payment of current tax liabilities, and a failure to adequately reserve for future tax liabilities.

Procedure for Setting Up New Schedule M's

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Kristi Buddo Jim Chen	1. The Tax Analyst becomes aware of the need to set up a new Schedule M from a pre-close meeting, a new account(s) being set up by another department, or a new reserve account being set up. Corporate Accounting may notify the Tax Department, or the Tax Department (in its review of new accounts during the monthly close) may discover a need to set up a new Schedule M.
Tax Department	Kristi Buddo Jim Chen	2. When a new M occurs, the Analyst first has to reserve an M number in BDMS. This can be done by going to Accounting Data Set up, Income Tax, Tax numbers and copying an M number to create a new one with a new description and indicating if it is permanent or timing.

Tax Accounting-Income New Schedule M Set Up

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Kristi Buddo Jim Chen	3. The Analyst sets up deferred tax accounts by e-mailing Corporate Accounting with the new account number, description and correct mapping of cost type, either utility for regulated or non-utility for non-regulated.
Tax Department	Kristi Buddo Jim Chen	4. The Analyst sets-up work codes for the M, if existing work codes are not appropriate. This can be done by going into BDMS and work code set up.
Tax Department	Kristi Buddo Jim Chen	5. The Analyst sets up the M mechanically or manually. If the M is permanent, no deferral is set up. A timing M will be set up based on related accounts if mechanical, or if manual in the manual summary. <i>Note: see Tax Accounting-Income Monthly Close Policy for the continuation of the Monthly Close.</i>

Training and Documents

Who Should Know

- Vice President Tax
- Tax Accounting Manager
- Senior Analysts/Analysts

Related Information

Tax Accounting-Income Monthly Close Policy

Contacts

NAME	ROLE	DEPARTMENT
Alex Torok	Vice President	Tax
Dave Yelton	Manager	Tax

Tax Accounting-Income New Schedule M Set Up

Kristi Buddo	Senior Analyst	Tax
Jim Chen	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description
- Update Contacts
- Update Who Should Know



Tax Accounting-Indirect Record Indirect Tax Expense

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to record the monthly tax expense for taxes, other than income taxes including, the City of Cincinnati Franchise Fee, the Mcf tax, the KwH tax and the Ohio Natural Gas Excise Tax, Fuel Taxes (Form 2290, Form 720, Ky Wt & Distance, IFTA).

Reason for Policy

To ensure procedures are in place to accurately record indirect tax expenses in accordance with GAAP and Regulatory requirements

Process Flows

None

Process Description/Narrative

The Tax Department is responsible for accruing indirect taxes on a monthly basis to properly record the company's liability for these taxes on the income statement and balance sheet. The taxes are calculated monthly in the customer billing system for KWH and MCF taxes and a report summarizing the tax calculation is provided to the tax department for these accruals. The Cincinnati Franchise and natural gas excise tax are calculated monthly by the tax department based on monthly reports of gross receipts provided by the customer billing system. The fuel taxes are calculated quarterly by the Tax Department from reports provided by the Transportation Department.

Once the reports and spreadsheets are printed that show each tax liability the tax clerk enters the amount(s) on the journal entries in the BDMS journal entry tool on JE# TX263 by entity and forwards everything to the Tax Supervisor. The Tax Supervisor reviews everything and approves the journal entries in the BDMS journal entry tool.

Frequently Asked Questions

Q1. Where is this accrual computed?

A. This accrual is computed on TX 263

Procedure

Procedure to Record Indirect Tax Expense
 Receive Input Data

DEPARTMENT	RESPONSIBILITY	ACTION
Customer Accounting	Martha Elrod	1a. Generate and distribute a computer listing of Cincinnati Franchise Tax by the 5 th working day.
Tax	Cody Cain	1b. Print out monthly report of Mcf billed to gas customers. Report generated from CMS.
Tax	Cody Cain	1c. Print out monthly report of Kwh billed to electric customers. Report generated from CMS.
Tax	Cody Cain	1d. Print, out monthly report of natural gas billed (gross receipts of natural gas sales) to gas customers, Report generated from CMS.
Tax	Cody Cain	1e. Prepare Excel spreadsheets for McF tax, Kwh tax, Natural gas, excise gas.

Tax	Patricia Colvin	1f. Prepare quarterly Excel spreadsheet by the 5 th working day, on a month lag, of information received from Transportation for Highway & Fuels Tax.
Tax	Patricia Colvin	1g. Generate and distribute Excel report that contains monthly deposits for special Fuel by the 5 th working day of the quarter.

Prepare Journal Entry

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Cody Cain	1. By 5 th working day, transfer applicable input data into journal entry and forward to Jim Kerr for review.

Approve Journal Entry

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Jim Kerr	1. By 5 th working day, review and approve entry using the PBR tool set. journal entry posted by BDMS Coordinator

Training and Documents

Who Should Know

- Vice President Tax
- Supervisor Tax
- Senior Analyst/ Analysts
- Customer Accounting

Related Information

Contacts

Name	Role	Department
Cody Cain	Senior Analyst	Tax
Patricia Colvin	Clerk	Tax
Jim Kerr	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Cincinnati Franchise - CG&E Franchise Tax for city of Cincinnati

Ohio Excise - Ohio Tax on Utility Gross Receipts

GAAP - Generally Accepted Accounting Principles

McF- quantity of natural gas delivered

KwH- quantity of electricity delivered

CMS- Customer Management System

Revisions

The following revisions are effective 01/01/04:

- Update policy for process changes.
- Update policy for personnel changes.
- Update Who Should Know
- UpdateCcontacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative



Tax Accounting-Indirect Monthly Close Property Tax

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 02/02/98
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

Record the estimated monthly property tax expenses of the applicable companies within the corporation. True up monthly estimates when final assessments and tax rates are available.

Reason for Policy

To ensure the corporation is within compliance of applicable GAAP and Regulatory Requirements

Process Flows

None

Process Description/Narrative

Tax Accounting-Indirect Monthly Close Property Tax

In order to ensure the corporation is within compliance, a process is in place to ensure the preparation, review, and approval of monthly journal entries.

The first step in the process is for the tax assistant to prepare the required journal entries for each corp. by the 2nd working day. These journal entries are pre-defined utilizing the property tax budget. The accruals are set up at the beginning of each year and may be modified throughout the year based on returns and levies.

Once the journal entries are prepared and entered in to the journal entry tool, the Senior Property Tax Analyst reviews the journal entry and supporting budgets for the journal entry. This must also be done by the 2nd working day.

The next step is for the Property Tax Manager to review and approve the journal entry using the PBR tool set. This approval must also be done by the 2nd working day.

If adjustments have been made to the original budgets for changes in assessments, tax levies, appeals, or obsolescence adjustments, there must be approval from management prior to booking the revised journal entries. The Property Tax Manager forwards revised budget analysis to the Vice President of Taxation, who will then review the analysis and make recommendations of the timing of the adjustments.

Upon all management approval of the journal entries, personnel in BDMS/Corporate Accounting will post all journal entries approved for posting.

Frequently Asked Questions

Q1. What causes the property taxes to increase/decrease over prior year's budgets for a certain company and/or account?

A. Contact Gregg Scott at 838-1322 to learn about the increases/ decreases in the property taxes.

Procedure

Prepare Journal Entry

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Tax Assistant	1. Prepare journal entry by 2nd

		working day - utilizing the property tax budget. Journal entries can be modified throughout year based on returns and levies. <i>Note: Reference the OH&KY Property Tax Return and Payments Policy and the Indiana Property Tax Return and Payments Policy for additional information.</i>
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Review Journal Entry

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Erin Whitehead - OH/IN Karen Hammond - KY; corps 617 & 618	1. Review the supporting budgets for the journal entry by the 2 nd working day.

Approve Journal Entry

DEPARTMENT	RESPONSIBILITY	ACTION
Tax	Gregg Scott	1. Review and approve the journal entry using the PBR tool set. Approval by 2 nd working day.
Tax	Gregg Scott	2. If adjustments have been made to the original budgets for changes in assessments, tax levies, appeals, obsolescence adjustments, etc. - we must have management's approval prior to booking the revised journal entries. Reference the OH&KY Property Tax Return and Payments Policy and the Indiana Property Tax Return Policy
Tax	Gregg Scott	3. Forward revised budget analysis and/or memo to VP - Tax.
Tax	Alex Torok	4. Review revised budget analysis and make recommendation of the timing of the adjustments.
Corporate Accounting	BDMS Coordinator / John Linton	5. BDMS will post all journal entries approved for posting.

Training and Documents

Training:

- BDMS Training

Who Should Know

- Vice President Tax
- Property Tax Coordinator
- Senior Tax Analyst/Tax Analyst
- Tax Assistant

Related Information

OH&KY Property Tax Return and Payments Policy

Indiana Property Tax Return and Payments Policy

Contacts

Name	Role	Department
Conchita Wyatt	Tax Assistant	Tax
Karen Hammond	Senior Tax Analyst	Tax
Erin Whitehead	Senior Tax Analyst	Tax
Gregg Scott	Manager	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

Levies - Local Tax District Rates

BDMS - Business Data Management System

Revisions

The following revisions are effective 01/01/04:

- Update policy for personnel changes

- Update all procedures
- Who should know
- Contacts

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
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- Update policy for Process Description/Narrative



Tax Accounting-Income Tax Disclosures

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to systematically report tax disclosures in the financial statements.

Reason for Policy

To provide for procedures to ensure tax disclosures are included in the financial statements

Process Flows

None

Process Description/Narrative

Prior year 10Q or 10K and annual reports and the associated workpaper support are reviewed to confirm prior year data and to develop a knowledge base for the Analyst to use in preparing the current year analyses. The analyses include flux and variance

reports for income tax and non-income activity for each separately disclosed entity or group of entities. The Analyst will also draft MD&A comments in a manner consistent with prior disclosure statements, being sure to include significant transactions or adjustments which are key drivers of the period to period changes.

The Tax Manager reviews both the analyses and the commentary and ensures that any corrections are adequately documented prior to approving the work product.

The commentary and summary analyses are then subject to additional layers of review and approval. The Analyst and Manager will present and discuss with the VP-Tax all of the key drivers of change which support the commentary and adjust the comments or analysis as required. Other layers of review include Cinergy External Reporting and the external auditors.

Frequently Asked Questions

Q1. Why are tax disclosures important?

A. Tax disclosures are important to assure compliance with FASB statement 109 Accounting for Income Taxes and the related SEC disclosure rules.

Procedure

Procedure for preparing Tax Disclosures

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Jim Chen, Kristi Buddo,	1. Analyst reviews the prior year 10K's and 10Q's (and related workpapers). Next, the Analyst updates workpapers with current year data and prepares preliminary footnotes. The Analyst also prepares and analyzes a flux/variance report, which includes non-income taxes, income taxes and cash taxes paid. The Analyst will prepare draft MD&A wording based on flux/variance report items.
Tax Department	Dave Yelton	2. The Tax Manager review all tax disclosure footnotes and statements for compliance with FAS 109 SEC and GAAP reporting requirements. The Analyst makes corrections where appropriate and the Tax Manager signs off on the

Tax Accounting-Income Tax Disclosures

DEPARTMENT	RESPONSIBILITY	ACTION
		disclosures and statements.
Tax Department	Alex Torok	3. The Tax Vice President reviews and approves all tax disclosure footnotes and statements for compliance with FAS 109 SEC and GAAP reporting requirements. Changes from this review and approval are made where appropriate.
External Reporting	Manager	4. External Reporting Manager reviews and signoff on all tax disclosure footnotes and statements.
External Auditors	Manager, Partner	5. External auditors review and signoff on all tax disclosure footnotes and statements. All tax disclosures and statements are included in the financial reports.

Training and Documents

Who Should Know

- Vice President Tax
- Corporate Controller
- Tax Manager

Related Information

Contacts

NAME	ROLE	DEPARTMENT
Dave Yelton	Manager	Tax
Alex Torok	Vice President	Tax
Kristi Buddo	Senior Analyst	Tax
Jim Chen	Senior Analyst	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS – Business Data Management System

Revisions

The following revisions are effective 09/01/05:

- Update policy for new manual ownership
- Update policy to reflect reorganization of manual
- Update policy for Process Description/Narrative
- Update Contacts
- Update Who Should Know



Tax Accounting-Income Statutory Tax Rate Schedules for Current & Deferred Taxes

Functional Area: Tax
Sarbanes-Oxley Category: Tax
Process Owner: Deborah Larke
Effective Date: 12/31/03
Revised Date: 09/01/05

All accounting policies and procedures can be found on the Accounting Policies and Procedures community within iPower as follows:

- Launch iPower
- Select "Accounting Policies and Procedures" under the "Communities" heading at the top of the page

Policy Statement

It is the policy of the Cinergy Tax Department to accurately determine the statutory rate schedules for current and deferred taxes.

Reason for Policy

To ensure procedures are in place to accurately determine the statutory rate schedules for current and deferred taxes

Process Flows

None

Process Description/Narrative

Tax Accounting-Income Statutory Tax Rate Schedules for Current & Deferred Taxes

Using the most recent state and local tax returns, the Analyst will obtain apportionment data by legal entity as well consult the department's on-line tax research tool to obtain any changes in statutory tax rates for each jurisdiction where income tax returns are filed.

The Analyst will then update the effective tax rate summary sheets using the information obtained. The schedule calculates the current state statutory tax rate and any effect of a change in state rate on the federal tax rates to be used in recorded current year deferrals

The Tax Manager will review the summary schedule and all supporting documentation ensuring that any corrections are properly reflected in the final analysis. The Manager will also determine the need for changing the current statutory tax rates based on the new state apportionment. The recommendation by company will be presented to the VP-Tax for final approval, any required changes will be entered into the tax module and all manual deferrals will be adjusted.

Frequently Asked Questions

Q1. What is the impact of failing to update the statutory rate schedule for current and deferred taxes?

A. Failure to update the statutory rate schedule for current and deferred taxes can result in an over or under accrual of current and deferred taxes.

Procedure

Procedure for preparing the Statutory Rate Schedule for Current & Deferred Taxes

DEPARTMENT	RESPONSIBILITY	ACTION
Tax Department	Senior Tax Analyst, Tax Analyst, various	1. The Analyst obtains the state apportionment and statutory tax rate data by legal entity based on recently filed state income tax returns (the state returns are filed by year and tax jurisdiction in the Cincinnati Tax Department). In addition the Analyst will consult the CCH on-line software for recently enacted state tax rate or apportionment rule changes for all state and local jurisdictions where the company

Tax Accounting-Income Statutory Tax Rate Schedules for Current & Deferred Taxes

DEPARTMENT	RESPONSIBILITY	ACTION
		currently files income tax returns.
Tax Department	Senior Tax Analyst, Tax Analyst, Various	2. The Analyst will consult the CCH on-line software for any enacted rate changes for the federal corporate income tax rate.
Tax Department	Senior Tax Analyst, Tax Analyst, various	3. Next, the Analyst opens an Excel file stored at "Taxacct on 'Cincyfile1' (I):Data\excelfile\TAX\FAQ\YYYY-YYYY" Statutory Rates-Final.xls for the prior year; creates a new file for the current tax return year. They will then update the data for changes in apportionment and statutory tax rates obtained above. It is expected that this schedule will be used for both the tax return year just completed (Accrual to Actual Adjustment process (Book to Return)) and for the current fiscal year (current year tax accruals (Monthly Close). Therefore it is important to note any enacted state, local or federal tax rate or apportionment rule changes that impact the two periods differently. If there are differences then two schedules will need to be prepared.
Tax Department	Senior Analyst, Manager, Supervisor	4. Next, the Tax Manager will review the effective tax rate schedule(s) for adequate support and accuracy. As noted above these schedules are used for the Accrual to Actual (Book to Return) and current year tax accrual processes (Monthly Close)
Tax Department	Senior Analyst, Analyst, various	5. As needed during the current fiscal year, the Analyst updates the schedule(s) for changes to existing entities or adds new entities. Updates are also made to the current year accrual process (Monthly Close)

Training and Documents

Who Should Know

- Vice President Tax
- Corporate Controller

Tax Accounting-Income Statutory Tax Rate Schedules for Current & Deferred Taxes

- Tax Accounting Manager
- Corporate Accounting
- Senior Tax Analyst
- Tax Analyst
- Rate Dept. - Plainfield

Related Information

Tax Accounting-Income Monthly Closing Process Policy

Tax Accounting-Income Adjustments to Actual (Book to Return) Policy

Contacts

Name	Role	Department
Dave Yelton	Manager	Tax
Jim Kerr	Supervisor	Tax
Erica Glenn	Coordinator	Accounting Research
Amy Sheppard	Manager	Accounting Research

Definitions

BDMS - Business Data Management System

Revisions

The following revisions are effective 09/01/05:

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- Update Contacts
- Update Who Should Know