

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR AN ORDER APPROVING THE ESTABLISHMENT)	CASE NO.
OF A REGULATORY ASSET RELATED TO)	2010-00523
VOLUNTARY OPPORTUNITY AND OTHER POST-)	
RETIREMENT EXPENSES)	

FOURTH INFORMATION REQUEST OF COMMISSION STAFF TO
DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and seven copies of the following information, with a copy to all parties of record. The information requested herein is due no later than April 22, 2011. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the response to item 1.c. Commission Staff's Third Request for Information ("Staff's Third Request").

a. Item 1.c. of Staff's Third Request asked how Duke Kentucky could adjust the expenses recorded on its books in calendar year 2010 for a regulatory asset that would be recorded on its books in calendar year 2011. The response states "[t]he books for calendar year 2010 will not change. If approval for the regulatory asset is approved, we will debit a regulatory asset and credit the appropriate expense accounts in the month that an order is received." Explain whether Duke Kentucky has the discretion to adjust its calendar year 2010 books or if such an adjustment is prohibited by generally accepted accounting principles ("GAAP") or a specific accounting rule.

b. If Duke Kentucky has the discretion to adjust its calendar year 2010 books, explain in detail why such an adjustment will not be made if the Commission approves the request to establish a regulatory asset.

c. If Duke Kentucky has the discretion to adjust its calendar year 2010 books, will such an adjustment be made if the Commission conditions its approval of a

regulatory asset on the recording of an adjustment to Duke Kentucky's books for calendar year 2010? If no, explain.

d. Describe and provide a citation to any GAAP rule or other specific accounting rule that prohibits Duke Kentucky from adjusting its books for calendar year 2010 to reflect Commission approval of a regulatory asset for expenses incurred in 2010.

e. Describe and provide a citation to any GAAP rule or other specific accounting rule that either requires or permits Duke Kentucky to credit expenses on its 2011 books for expenses that were incurred and booked in 2010 and approved for recording as a regulatory asset.

2. Refer to Duke Kentucky's application in Case No. 2008-00476¹ and the response to item 4 of Commission Staff's Initial Request for Information ("Staff's Initial Request") in this proceeding.

a. Case No. 2008-00476 dealt with Duke Kentucky's November 17, 2008 application for approval to create a regulatory asset to defer costs incurred as a result of Hurricane Ike, which hit Kentucky in September 2008. In its application, Duke Kentucky requested that it receive approval in time for it to:

Reflect the necessary adjustments on its books for the year ending December 31, 2008. This is necessary to avoid inaccuracies in Duke Energy Kentucky's financial statements for 2008 and 2009. For example, if the Commission does not grant the requested deferral until 2009, Duke Energy Kentucky will have to record the expenses in 2008, artificially depressing its operating income in that year and artificially increasing it in calendar year 2009.

¹ Case No. 2008-00476, Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset (Ky. PSC Jan. 7, 2009).


Explain why having the costs of the Voluntary Opportunity Severance Plan ("VOP") and the Midwest Office Consolidation ("MWOC") recorded on its books for calendar year 2010 will not result in inaccuracies, artificially depressing its operating income in 2010 and artificially increasing its operating income in 2011, in a manner similar to what Duke Kentucky described in Case No. 2008-00476 regarding the costs associated with Hurricane Ike.

b. The response to item 4 of Staff's Initial Request in this case shows that approximately \$4,000,000 of the total cost of \$4,502,000 associated with the VOP and MWOC, for which Duke Kentucky seeks to have a regulatory asset established, was recorded on its books as of August 31, 2010. Explain why Duke Kentucky did not submit its regulatory asset request 60 or 90 days before its actual December 29, 2010 filing date and request approval by year-end 2010 as it sought approval of its Hurricane Ike-related regulatory asset request in Case No. 2008-00476.

3. Provide Duke Kentucky's 2010 first-of-year and end-of-year balance sheets and its 12-month statement of operations (income statement) for calendar year 2010. Also provide a calculation of its return on common equity for calendar year 2010, based on its unadjusted 2010 net income and the average of its first-of-year and end-of-year common equity balances.

DATED APR 07 2011

cc: Parties of Record


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