

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, INC.)	
FOR AN ORDER APPROVING THE ESTABLISHMENT OF)	
A REGULATORY ASSET FOR THE LIABILITIES)	CASE NO.
ASSOCIATED WITH ASH POND ASSET RETIREMENT)	2015-00187
OBLIGATIONS)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
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 eight copies of the following information, with a copy to all parties of record. The information requested herein is due within ten days of the date of this request. 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, it 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 filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to page 4, paragraph 7, of the application and to the attachment to the response to Item 1 of Commission Staff's Initial Request for Information ("Staff's First Request"). The second sentence of paragraph 7 states that the expected remaining service life of East Bend Unit 2 is 26 years.

a. Given that asset retirement costs are to be depreciated over the useful life of the related asset, explain why the schedules in the attachment show the cash flow estimates based on a period ending in 2051, or ten years beyond the end of the unit's expected remaining service life.

b. The second sentence in paragraph 7 states that the 26-year estimated remaining service life of East Bend Unit 2 is "based on currently approved depreciation rates." Explain how a change in the unit's expected remaining service life as an outcome of a future depreciation study would affect an existing Asset Retirement Obligation ("ARO").

2. Refer to the attachment to the response to Item 1 of Staff's First Request, page 1 of 10.

a. In the table under the heading "Estimated Annual Cash Flows:," there are subheadings for "Basin Closure & Landfill Costs" and "Add OH & Escalation." In the first line under each of the subheadings costs are listed for "Ash Basin Closure" and "Ash Basin Closure with Escalations." Identify the type and amount of costs included in each of the line items.

b. Refer to the subheading "Contingency," and the associated cost which is estimated at 100 percent of the "Closure & Landfill Costs (including OH, escalation, & 30 Yr Maint)." Identify the authority for the Contingencies' cost and how the amount was determined.

3. Refer to the attachment to the response to Item 1 of Staff's First Request, page 10 of 10. For each of the four items that make up the "All-In Yield" percentage, explain how the item was selected and whether selection of the item is entirely within Duke Kentucky's discretion.

4. Refer to the third sentence in paragraph 8 of the application and to the response to Item 2 of Staff's First Request. The sentence states that Duke Kentucky projects ARO-related depreciation and accretion expenses of \$5.9 million for 2015, while the second sentence in the response refers to deferring "income statement impacts of the depreciation and accretion." Explain whether negative income statement impacts could occur before Duke Kentucky issues year-end 2015 financial statements.

5. Refer to paragraph 9 of the application and the response to Item 2 of Staff's First Request. Given the explanation provided in the response and the sentence

that precedes the sentence referenced in the request, explain whether the referenced sentence would be more accurate if “and expenses” were removed.

6. Refer to the last paragraph in the response to part a. of Item 4 of Staff’s First Request, specifically, the last sentence that states, “The availability and method of recovery for these deferred expenses, like all costs that are included in a properly-established regulatory asset, will be determined in a future proceeding and are not issues presently before the Commission.” Item 4.a. of Staff’s First Request relates to Duke Kentucky’s request to be allowed to include carrying costs in the regulatory assets for which it seeks authorization.

a. Explain whether the referenced sentence in the response indicates Duke Kentucky’s belief that the issue of including carrying costs as part of the regulatory assets for which it seeks authorization is not before the Commission at this time.

b. Explain whether the referenced sentence in the response indicates Duke Kentucky’s belief that it can be granted Commission approval to include carrying costs as part of the regulatory assets for which it seeks authorization and that the issue of recovery of said carrying costs can be left to be determined in a future proceeding.

7. Refer to the response to part c. of Item 4 of Staff’s First Request. Provide an illustrative example of the calculation of a weighted average cost of capital showing the use of the Federal Energy Regulatory Commission formula used to derive rates for an Allowance for Funds Used During Construction.

8. Refer to the response to Item 5 of Staff’s First Request where the Expected Project Schedule and Deliverables are listed. Explain if Duke Kentucky is on

schedule with the August deliverables. If not, explain the reason for the delay and where Duke Kentucky is on the schedule.

9. Refer to paragraph 10 of the application and the response to Item 5 of Staff's First Request, which indicates that the ash basin closure project studies are estimated to be completed in October 2015.

a. Provide a breakdown of the \$1.8 million for engineering, analysis, and other Coal Combustion Residuals compliance costs Duke Kentucky estimates it will incur in 2015.

b. Explain what the acronym "ACE" stands for.

c. With the ash basin closure project studies expected to be completed in October 2015, explain when Duke Kentucky expects it will receive notice of the actual cost of the project.

d. Explain whether receipt of a Commission ruling in this matter in the fourth quarter of 2015, after the ash basin closure project studies are complete, will permit Duke Kentucky to make the necessary accounting entries to record the requested regulatory asset for the ARO-related depreciation and accretion expenses described in paragraphs 8 and 9 of its application in a timely manner.



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DATED **AUG 10 2015**

cc: Parties of Record

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