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JUN 10 2015

PUBLIC SERVICE
COMMISSION

VIA OVERNIGHT DELIVERY

June 9, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

Re: Case No. 2015-00120
In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Depreciation Expense of its East Bend Unit 2 Generation Station

Dear Mr. Derouen:

Enclosed please find an original and twelve copies of the *Responses of Duke Energy Kentucky, Inc. to the Attorney General's Initial Requests for Information*, for filing in the above referenced matter:

Please date-stamp the two copies of the letter and the filing and return to me in the enclosed envelope.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel
rocco.d'ascenzo@duke-energy.com

cc: Hon. Jennifer Hans (w/enclosures)

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JUN 10 2015

PUBLIC SERVICE
COMMISSION

VERIFICATION


STATE OF NORTH CAROLINA)
)
COUNTY OF MECKLENBURG)
)
) SS:

The undersigned, Cynthia S. Lee, Director of Asset Accounting, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests are true and correct to the best of her knowledge, information and belief.



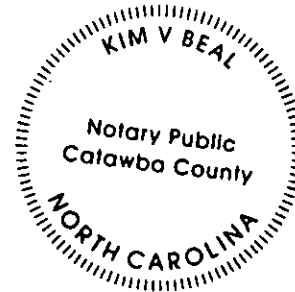
Cynthia S. Lee, Affiant

Subscribed and sworn to before me by Cynthia S. Lee on this 5 day of June, 2015.



NOTARY PUBLIC

My Commission Expires: October 24, 2019



VERIFICATION

STATE OF OHIO

)

SS:

COUNTY OF HAMILTON

)

)

The undersigned, William Don Wathen Jr, Director of Rates & Regulatory Strategy OH/KY, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



William Don Wathen Jr, Affiant

Subscribed and sworn to before me by William Don Wathen Jr, on this 3RD day of June, 2015.



NOTARY PUBLIC

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

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**Duke Energy Kentucky
Case No. 2015-00120
AG's First Set Data Requests
Date Received: May 18, 2015**

AG-DR-01-001

REQUEST:

Reference the Stipulation, Settlement Agreement and Recommendation filed in Case No. 2014-00201, Paragraph 1, subparagraph (c), which states: "The purchase price of \$12.4 million should be used for establishing the net book value of the 31% interest in East Bend for rate making purposes." Does any of the terms of the Application for a regulatory asset sought in the current proceeding change this term of the settlement in Case No. 2014-00201?

RESPONSE:

No.

PERSON RESPONSIBLE: William Don Wathen Jr.

**Duke Energy Kentucky
Case No. 2015-00120
AG's First Set Data Requests
Date Received: May 18, 2015**

AG-DR-01-002

REQUEST:

Reference paragraphs 8 and 9 of the Application. What is the total FERC mandated annual depreciation expense that DEK is seeking to record as a regulatory asset in this matter?

RESPONSE:

As proposed in the Application, the regulatory asset will be debited as long as the depreciation rate under FERC rules exceeds the depreciate rate being proposed by the Company. Therefore, the regulatory asset will be debited by \$3.833 million less the \$0.222 million, approximately \$3.6 million for each year from 2015 through 2017. There will be an additional debit in 2018 during the first quarter as the monthly depreciation rate under the FERC rules continues to exceed the proposed rates or $(\$0.902 \text{ million} \div 12 \text{ months} - \$0.222 \div 12 \text{ months}) * 3 \text{ months}$. At the end of March 2018, the regulatory asset will be at its highest level of approximately \$11.5 million. This \$11.5 million balance will be amortized (*i.e.*, credited against the regulatory assets) over the remaining life of East Bend at an annual rate of \$222,000.

PERSON RESPONSIBLE: Cynthia S. Lee

AG-DR-01-003

REQUEST:

Reference paragraph 9 of the Application. What is the estimated annual cost for rate making purposes of this regulatory asset if amortized, as proposed, over twenty-three years?

RESPONSE:

For "ratemaking purposes," the estimated "annual" cost of amortizing this regulatory asset will be \$222,000, once amortization begins (*i.e.*, when new rates are effective after the next electric base rate case).

PERSON RESPONSIBLE: William Don Wathen Jr.

AG-DR-01-004

REQUEST:

Based on DEK's proposal in this Application, how much more or less than \$222,000 annual depreciation expense will DEK be committing to pay annually?

RESPONSE:

The question confuses the issue. Duke Energy Kentucky will not be "paying" any incremental dollars for depreciation expense. As explained in the Application, Duke Energy Kentucky is recommending that the annual depreciation expense to be accrued for its newly acquired share of East Bend be \$222,000 until fully depreciated at the end of East Bend's useful life or the implementation of a new approved depreciation study as opposed to the \$3.833 million of depreciation expense to be recorded each year for 2015, 2016, and 2017, and another \$902,000 to be recorded in 2018.

Therefore, the Company's request is to "accrue," not pay \$3.611 million less for depreciation expense for 2015, 2016, and 2017, and to "accrue" \$680,000 less for depreciation expense for 2018, than it will be required to do without the requested deferral authority.

PERSON RESPONSIBLE: Cynthia S. Lee