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Rocco O. D'Ascenzo  
Associate General Counsel

**VIA OVERNIGHT DELIVERY**

November 29, 2016

Talina Rose Mathews  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd  
Frankfort, KY 40602-0615

RECEIVED

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PUBLIC SERVICE  
COMMISSION

**Re: Case No. 2016-00380  
In the Matter of the Application of Duke Energy Kentucky, Inc. for an Order to  
Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations**

Dear Ms. Mathews:

Duke Energy Kentucky, Inc. hereby submits its responses to *Staff's First Set of Data Requests*. In compliance with the Commission's November 21, 2016 Order, the original and twelve (12) paper copies are enclosed.

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

Respectfully submitted,

Rocco D'Ascenzo (92796)  
Associate General Counsel  
Duke Energy Kentucky, Inc.  
139 East Fourth Street, 1313 Main  
Cincinnati, Ohio 45201-0960  
(513) 287-4320  
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[Rocco.D'Ascenzo@duke-energy.com](mailto:Rocco.D'Ascenzo@duke-energy.com)  
*Counsel for Duke Energy Kentucky, Inc.*

Enclosures

cc: Rebecca Goodman (w/enclosures)

**KYPSC CASE NO. 2016-00380**  
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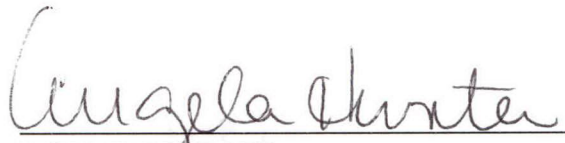
VERIFICATION

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

The undersigned, John L. Sullivan III, Director of Corporate Finance, 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.

  
\_\_\_\_\_  
John L. Sullivan III, Affiant

Subscribed and sworn to before me by John L. Sullivan III on this 22 day of November, 2016.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: My Commission Expires  
05-30-2018



**Duke Energy Kentucky**  
**Case No. 2016-00380**  
**Staff's First Set Data Requests**  
**Date Received: November 21, 2016**

**STAFF-DR-01-001**

**REQUEST:**

Refer to the Application, page 6, paragraph 5, which states that Duke Kentucky does not have any specific agreements other than those entered into under the existing authority and as reported in Case No. 2014-00344,<sup>1</sup> and that Duke Kentucky seeks authorization of Capital Leases now to provide it flexibility in entering into leases.

- a. Confirm that Duke Kentucky likewise state in Case No. 2014-00344 that it has no agreements other than those reported in Case No. 2012-00576,<sup>2</sup> and in that case it state it has no agreements other than those reported in Case No. 2010-00370.<sup>3</sup>
- b. Confirm that Duke Kentucky has not used the capital lease financing authority granted by the Commission in the three previous cases cited since it last reported a capital lease for meters in June 18, 2010, pursuant to the authority granted by the Commission in Case No. 2008-00504.<sup>4</sup>
- c. Explain what loss of flexibility Duke Kentucky would experience if it were to request capital lease financing authority at the time it actually reaches a specific agreement regarding a capital lease.

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<sup>1</sup> Case No. 2014-00344, *Application of Duke Energy Kentucky, Inc. for an Order to Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC No. 20, 2014).

<sup>2</sup> Case No. 2012-00576, *Application of Duke Energy Kentucky, Inc. for an Order to Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Feb 14, 2013).

<sup>3</sup> Case No. 2010-00370, *Application of Duke Energy Kentucky, Inc. for an Order to Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Nov. 23, 2010).

<sup>4</sup> Case No. 2008-00504, *Application of Duke Energy Kentucky, Inc. for an Order to Enter into up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Feb. 4, 2009).

**RESPONSE:**

- a. Yes, that is correct.
- b. Yes, that is correct.
- c. Entering into capital leases is another form of financing to meet Duke Energy Kentucky's capital requirements. Duke Energy Kentucky seeks to maintain ready access to a variety of options in related to its financing. Waiting until an agreement is in place to request authority may result in a delay during which terms of the agreement could change (including those driven by changes in interest rates between the two points in time). Also, not having authority in place may make it difficult, or impossible, to negotiate an agreement with some counterparties.

**PERSON RESPONSIBLE:** John L. Sullivan III

**Duke Energy Kentucky  
Case No. 2016-00380  
Staff's First Set Data Requests  
Date Received: November 21, 2016**

**STAFF-DR-01-002**

**REQUEST:**

Refer to the Application, Exhibit C, page 3. Given that Duke Kentucky entered into four capital leases over the three-and-a-half-year period from December 2006 through June 2010, and none have been issued since 2010, state whether it is likely that Duke Kentucky will use the extended financing authority requested herein, and if so, under what specific circumstances.

**RESPONSE:**

It is difficult to state the likelihood of utilizing a particular financing structure over a two year period. Duke Energy Kentucky would expect to enter into a capital lease where the option is determined to be the best overall financing strategy for a given situation. For example, there would need to be property available for lease where the amount of the property is sufficient for consideration of a lease agreement and the lease terms would need to be favorable, versus other forms of financing (including the administrative time and costs associated with capital leases).

**PERSON RESPONSIBLE:** John L. Sullivan III