

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC., FOR: 1) AN ADJUSTMENT OF)	
THE ELECTRIC RATES; 2) APPROVAL OF AN)	CASE NO.
ENVIRONMENTAL COMPLIANCE PLAN AND)	2017-00321
SURCHARGE MECHANISM; 3) APPROVAL OF)	
NEW TARIFFS; 4) APPROVAL OF ACCOUNTING)	
PRACTICES TO ESTABLISH REGULATORY)	
ASSETS AND LIABILITIES; AND 5) ALL OTHER)	
REQUIRED APPROVALS AND RELIEF)	

COMMISSION STAFF'S SUPPLEMENTAL REHEARING 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 an electronic version of its responses to the following information, with a copy to all parties of record. The information requested herein is due on or before August 6, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable and shall be appropriately bookmarked. 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 Duke Kentucky's response to Commission Staff's First Rehearing Request for Information (Staff's First Rehearing Request), Item 2, Attachment.
 - a. Confirm that the provided calculation incorrectly applies the gross revenue conversion factor (GRCF) to the entire weighted average cost of capital (WACC).
 - b. Confirm that applying the GRCF to only the return on equity (ROE) portion of the WACC results in an adjustment of \$163,148.
 - c. Provide the calculation of the \$6,569,820 "Capitalization change due to updated B-6 Schedules."

d. Refer also to Duke Kentucky's response to Staff's First Rehearing Request, Item 7.a., in which Duke Kentucky states that it did not propose an adjustment to capitalization to reflect the amortization of excess accumulated deferred income taxes (ADIT). Confirm that "Capitalization change due to updated B-6 Schedules" indicates that Duke Kentucky did include such an adjustment. If this cannot be confirmed, provide a detailed explanation.

2. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 4, regarding the regulatory asset for the deferral of East Bend operations and maintenance expense (East Bend O&M Regulatory Asset).

a. Provide a schedule illustrating how Duke Kentucky proposes to address the impact of the East Bend O&M Regulatory Asset on its capitalization.

b. State whether this Commission has authorized capitalization adjustments for regulatory assets, which accrued carrying charges at less than the utility's full WACC, in past proceedings. If so, cite by date and docket number, the Commission Order(s) that approved such adjustments.

3. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 5, Staff-Rehearing-DR-01-005 Attachment, page 2.

a. State whether Duke Kentucky proposes to utilize a debt-only GRCF of 1.0027536 for the debt portion of its WACC.

b. If the response to part (a) is yes, explain why Duke Kentucky did not provide the calculation of the debt-only GRCF in Schedule H of its application.

c. If the response to part (a) is yes, confirm that all of Duke Kentucky's proposed capitalization adjustments include a debt-only GRCF in the debt portion of the WACC. If this cannot be confirmed, explain.

4. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 4.a. Confirm that it is Duke Kentucky's position that its capitalization includes \$27,323,970 for the East Bend O&M Regulatory Asset.

5. Refer to Duke Kentucky's responses to Staff's First Rehearing Request, Items 4.b. and 6. Confirm that the East Bend O&M Regulatory Asset is included in Duke Kentucky's capitalization at the full WACC. If this cannot be confirmed, explain and provide supporting documentation.

6. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 8. Explain why the GRCF excludes "uncollectible expense and KPSC maintenance expense factors."

7. Refer to Duke Kentucky's Petition for Rehearing at 16, Duke Kentucky's Post-Hearing Brief at 40–41, the Direct Testimony of Jeffery T. Kopp at 4 and 9, and the Application.

a. Provide the location of Duke Kentucky's request for Commission approval of its Decommissioning Study.

b. Explain why the Decommissioning Study requires Commission approval.

8. Refer to the Rebuttal Testimony of William Don Wathen Jr, Exhibit WDW-Rebuttal-5, page 3 of 3. Confirm that the calculation of the pre-tax WACC of 9.26 percent

includes a ROE of 11.00 percent, instead of the 10.375 percent identified in the exhibit. If confirmed, provide a revised Exhibit WDW-Rebuttal-5.

9. Refer to the Rebuttal Testimony of Sarah E. Lawler at 3.

a. State whether Duke Kentucky included adjustments to the pro forma test-year current and deferred federal income tax expense to reflect the impact of the Tax Cuts and Jobs Act.

b. If the response to part (a) is yes, identify the location and amount of this adjustment and provide all supporting calculations and documentation in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

c. If the response to part (a) is no, explain in detail why Duke Kentucky did not make such an adjustment.

10. Based on the adjustments to income, expense, and capitalization with which Duke Kentucky is in agreement since it submitted its updated rebuttal testimony, including any adjustments resulting from this information request, provide an updated overall financial summary (Schedule A), jurisdictional rate base summary (Schedule B-1), and jurisdictional operating income summary (Schedule C-1) for the forecasted test year only.



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DATED **JUL 23 2018**

cc: Parties of Record

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