

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

The Electronic Application of Duke Energy)
Kentucky, Inc., for: 1) An Adjustment of the)
Electric Rates; 2) Approval of an) Case No. 2017-00321
Environmental Compliance Plan and)
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.)

**DUKE ENERGY KENTUCKY, INC.'S MOTION FOR LEAVE TO FILE
A CORRECTION TO THE REBUTTAL TESTIMONY OF
WILLIAM DON WATHEN JR. AND SARAH E. LAWLER, INSTANTER**

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), hereby respectfully moves the Kentucky Public Service Commission (Commission) pursuant to 807 KAR5:001 Section 4(5) for leave to file an errata sheet to the rebuttal testimony of William Don Wathen Jr. and Sarah E. Lawler in this case, Instanter.

1. On August 2, 2017 Duke Energy Kentucky filed a Notice of Intent to File an Application seeking adjustment of its electric rates and other approvals.
2. On September 1, 2017 Duke Energy Kentucky filed an Application seeking an adjustment of its electric rates and other approvals.
3. On February 14, 2018 Duke Energy Kentucky filed the rebuttal testimony of William Don Wathen Jr. and Sarah E. Lawler.
4. Duke Energy Kentucky recently discovered some inadvertent miscalculations contained in Attachment WDW-Rebuttal-3 to the rebuttal testimony of Mr. Wathen.

5. Duke Energy Kentucky is now seeking to file a correction to the rebuttal testimony of William Don Wathen Jr. and Sarah E. Lawler, Instantly to correct the record in this proceeding.

6. To fix these inadvertent mathematical errors in the formulas in the spreadsheet submitted as Attachment WDW-Rebuttal-3, Mr. Wathen respectfully submits an errata sheet, along with, an Amended Attachment WDW-Rebuttal-3. The highlighted cells were affected. The changes affect multiple numbers in Mr. Wathen's rebuttal testimony. These corrections are noted below:

- a. Page 19, line 1, replace \$36.115 with \$36.540;
- b. Page 19, line 3, replace \$4.438 with \$4.490;
- c. Page 20, line 7, replace \$36,114,607 with \$36,540,465;
- d. Page 20, line 13, replace \$1,532,343 with \$1,550,412; and,
- e. Page 20, line 15, replace \$1,536,562 with \$1,554,681.


7. The changes to Amended Attachment WDW-Rebuttal-3 also affect lines 8 and 9 in the summary table contained in the rebuttal testimony of Sarah E. Lawler. In addition, the lines marked "Total Adjustments" and "Revised Base Rate Increase" are also affected. An amended page 3 of Ms. Lawler's testimony is included as well to correct the same errors. These corrections are noted below:

- a. Page 5, line 17, replace \$4.438 with \$4.490;
- b. Page 5, line 18, replace \$375,550 with \$323,075; and,
- c. Page 5, line 21, replace \$1,536,562 with \$1,554,681.

8. The Company respectfully submits that no parties have been harmed because of these inadvertent miscalculations.

WHEREFORE, Duke Energy Kentucky respectfully requests that it be granted leave to file the correction to the rebuttal testimony of William Don Wathen Jr. and Sarah E. Lawler.

Respectfully submitted,



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Counsel for Duke Energy Kentucky, Inc.

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on March 2nd, 2018; that a copy of the filing in paper medium is being delivered to the Commission via 2 day delivery; and a copy of the filing is also being emailed to the following:

Hon. Rebecca W. Goodman
Hon. Larry Cook
Hon. Kent Chandler
Hon. Michael Kurtz
Hon. Jody Kyler Cohn

Hon. Kurt Boehm
Hon. Matthew Malone
Hon. William May, III
Hon. Dennis Howard, II

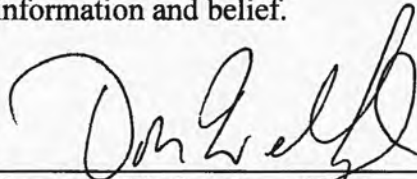


Counsel for Duke Energy Kentucky, Inc.

VERIFICATION

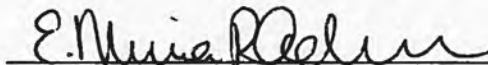
STATE OF OHIO)
)
COUNTY OF HAMILTON) SS:

The undersigned, William Don Wathen, Jr., Director of Rates & Regulatory Strategy, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing corrections to his rebuttal testimony and that it is 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 2nd day of March, 2018.



NOTARY PUBLIC

My Commission Expires: July 8, 2022

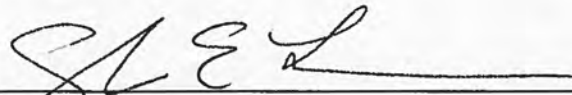


E. MINNA ROLFES-ADAMS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

VERIFICATION


STATE OF OHIO)
)
COUNTY OF HAMILTON) **SS:**

The undersigned, Sarah E. Lawler, Utility Strategy Director, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing corrections to her rebuttal testimony and that it is true and correct to the best of her knowledge, information and belief.



Sarah E. Lawler Affiant

Subscribed and sworn to before me by Sarah E. Lawler on this 2nd day of March, 2018.



NOTARY PUBLIC

My Commission Expires: July 8, 2022



E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

Errata Sheet

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

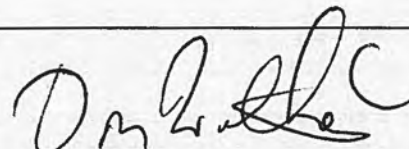
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FILING: Rebuttal Testimony of William Don Wathen Jr., Filed February 14, 2018

DATE CORRECTED: March 2, 2018

CORRECTION	LINE	PAGE
<u>Replace \$36.115 with \$36.540</u>	<u>1</u>	<u>19</u>
<u>Replace \$4.438 with \$4.490</u>	<u>3</u>	<u>19</u>
<u>Replace \$36,114,607 with \$36,540,465</u>	<u>7</u>	<u>20</u>
<u>Replace \$1,532,343 with \$1,550,412</u>	<u>13</u>	<u>20</u>
<u>Replace \$1,536,562 with \$1,554,681</u>	<u>15</u>	<u>20</u>



Signature

Mar 2, 2018

Date

Duke Energy Kentucky, Inc.
Case No. 2017-00321
East Bend Deferral Analysis

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
DEK East Bend Deferral Forecast	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
O&M	\$1,189,456	\$1,415,405	\$1,386,209	\$1,213,065	\$1,099,822	\$833,247	\$828,586	\$815,016	\$831,442	\$1,036,648	\$747,881	\$1,274,277
Reagents EB Incremental	\$369,911	\$318,621	\$243,277	\$276,276	\$328,776	\$279,073	\$331,357	\$274,584	\$300,394	\$249,432	\$287,363	\$227,098
Total Incremental	\$1,559,367	\$1,734,026	\$1,629,485	\$1,489,341	\$1,428,597	\$1,112,320	\$1,159,943	\$1,089,600	\$1,131,836	\$1,286,079	\$1,035,244	\$1,501,375
Less MF6 base	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)
Total Deferral	\$1,194,778	\$1,369,436	\$1,264,895	\$1,124,751	\$1,064,008	\$747,730	\$795,353	\$725,011	\$767,246	\$921,489	\$670,654	\$1,136,785
Cumulative Deferral	\$1,194,778	\$2,567,055	\$3,840,903	\$4,980,913	\$6,065,934	\$6,839,983	\$7,666,088	\$8,425,666	\$9,231,259	\$10,194,826	\$10,911,774	\$12,098,859
Carrying Costs (1)	\$2,841	\$8,952	\$15,259	\$21,014	\$26,318	\$30,752	\$34,567	\$38,347	\$42,078	\$46,294	\$50,300	\$54,837
Cumulative Deferral with carrying costs	\$1,197,619	\$2,576,007	\$3,856,161	\$5,001,927	\$6,092,253	\$6,870,735	\$7,700,655	\$8,464,013	\$9,273,337	\$10,241,120	\$10,962,074	\$12,153,696

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
O&M	\$451,395	\$915,244	\$1,383,284	\$3,067,186	\$760,341	\$828,786	\$529,828	\$707,425	\$676,474	\$454,622	\$601,413	\$1,018,180
Reagents EB Incremental	\$284,029	\$270,017	\$226,066	\$7,413	\$169,194	\$293,808	\$304,607	\$363,747	\$343,535	\$354,215	\$325,529	\$253,949
Total Incremental	\$735,424	\$1,185,261	\$1,609,350	\$3,074,599	\$929,536	\$1,122,595	\$834,436	\$1,071,172	\$1,020,008	\$808,837	\$926,943	\$1,272,129
Less MF6 base	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)
Total Deferral	\$370,835	\$820,671	\$1,244,761	\$2,710,009	\$564,946	\$758,005	\$469,846	\$706,583	\$655,419	\$444,247	\$562,353	\$907,539
Cumulative Deferral	\$12,524,530	\$13,403,884	\$14,710,440	\$17,487,450	\$18,129,119	\$18,972,000	\$19,530,271	\$20,328,619	\$21,079,037	\$21,621,974	\$22,286,101	\$23,298,292
Carrying Costs (1)	\$58,683	\$61,795	\$67,000	\$76,723	\$84,876	\$88,425	\$91,765	\$94,999	\$98,690	\$101,774	\$104,652	\$108,645
Cumulative Deferral with carrying costs	\$12,583,213	\$13,465,679	\$14,777,441	\$17,564,173	\$18,213,995	\$19,060,425	\$19,622,036	\$20,423,618	\$21,177,727	\$21,723,748	\$22,390,753	\$23,406,937

	Updated in Kollen's Testimony										Additional Actual Data	
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
O&M	\$681,758	\$725,179	\$799,666	\$656,943	\$1,273,571	\$759,832	\$812,725	\$556,055	\$752,834	\$749,750	\$668,884	\$911,123
Reagents EB Incremental	\$404,277	\$295,318	\$429,854	\$250,741	\$236,575	\$278,503	\$279,075	\$318,951	\$360,157	\$299,022	\$334,635	\$318,683
Total Incremental	\$1,086,035	\$1,020,495	\$1,229,520	\$907,684	\$1,510,146	\$1,038,335	\$1,091,800	\$875,006	\$1,112,991	\$1,048,772	\$1,003,518	\$1,229,806
Less MF6 base	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)	(\$364,590)
Total Deferral	\$721,445	\$655,905	\$864,930	\$543,094	\$1,145,556	\$673,745	\$727,210	\$510,417	\$748,401	\$684,182	\$639,029	\$865,216
Cumulative Deferral	\$24,128,382	\$24,897,322	\$25,879,100	\$26,543,214	\$27,813,714	\$28,617,012	\$29,478,718	\$30,127,601	\$31,018,071	\$31,847,991	\$32,636,856	\$33,655,768
Carrying Costs (1)	\$113,035	\$116,848	\$121,020	\$124,944	\$129,553	\$134,496	\$138,467	\$142,068	\$145,737	\$149,837	\$153,696	\$158,004
Cumulative Deferral with carrying costs	\$24,241,417	\$25,014,170	\$26,000,120	\$26,668,158	\$27,943,267	\$28,751,508	\$29,617,185	\$30,269,670	\$31,163,808	\$31,997,827	\$32,790,552	\$33,813,772

	Last Known Actual		Kollen's Projection	
	Jan-18	Feb-18	Mar-18	
O&M	\$776,976			
Reagents EB Incremental	\$355,998			
Total Incremental	\$1,132,973			
Less MF6 base	(\$364,590)			
Total Deferral	\$768,383	\$728,732	\$728,732	
Cumulative Deferral	\$34,582,155	\$35,473,527	\$36,369,231	
Carrying Costs (1)	\$162,640	\$166,973	\$171,233	
Cumulative Deferral with carrying costs	\$34,744,795	\$35,640,500	\$36,540,465	

Notes:
(1) Debt Rate assumed through March 2018 5.707%

Requested Base Rate Increase	\$ 48,646,222
Operating Income Adjustments	
1 Reduce Income Tax Expense to Reflect Reduction in FIT Rate	\$ (10,622,916)
2 Reduce Income Tax Expense to Reflect Amortization of Excess ADITs	(3,782,045)
3 Increase Income Tax Expense to Reflect Changes in Deferred Income Taxes	209,019
4 FIT credit for January through March 2018	(110,762)
5 Reduce Income Tax Expense for Research Tax Credits	(119,514)
6 Reduce Carbon Management Research Group Regulatory Asset Amortization Expense	(200,551)
7 Reduce Forecasted RTEP Expense	(410,346)
8 Reduce Amortization of East Bend O&M Regulatory Asset Amortization	(323,075)
9 Reduce Revenue Requirement for Long-Term Debt Return on East Bend O&M Regulatory Asset	(1,554,681)
Capitalization Adjustments	
10 Remove Coal Ash ARO Regulatory Asset from Capitalization	(1,629,904)
11 Capitalization impacts of Carbon Management Regulatory Asset Amortization adjustment	<u>17,612</u>
Total Adjustments	\$ (18,527,163)
Revised Base Rate Increase	\$ 30,119,059

1 **Q. PLEASE EXPLAIN THE REASONS FOR THESE CHANGES.**

2 **A. Income Tax Adjustments.** As mentioned in the Rebuttal Testimony of Company

3 witness William Don Wathen Jr., the Company has adjusted its revenue

4 requirement to reflect changes resulting from the Tax Act. First, the Company

5 has updated the Gross Revenue Conversion Factor (GRCF) to reflect a 21 percent

6 Federal Income Tax (FIT) Rate. Changing the GRCF from 35 percent to 21

7 percent results in a new GRCF of 1.3409866 and reduces the Company's

8 requested revenue requirement by \$10,622,916. Second, the Company is

9 proposing to amortize the excess Accumulated Deferred Income Taxes (ADITs)

10 as outlined in the Rebuttal Testimony of witness Wathen and witness Lisa M.

11 Bellucci. The amortization of excess ADITs reduces the Company's requested

12 revenue requirement by \$3,782,045. Third, as discussed in witness Wathen's and

13 witness Bellucci's Rebuttal Testimony, the Company has recalculated its ADIT