COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.	)	
	)	Case No. 2018-0036
COMPLAINANT	)	
V.		
DUKE ENERGY KENTUCKY, INC.	)	
	)	
DEFENDANT	)	

DIRECT TESTIMONY OF

WILLIAM DON WATHEN JR.,

ON BEHALF OF

DUKE ENERGY KENTUCKY, INC.

Attachments:

WDW-1	Stipulation
WDW-2	Calculation Supporting Tax Refund Credit
WDW-3	Workpapers from Case No. 2017-00321
WDW-4	Updated Rider ASRP Rate Calculations and Tariff
WDW-5	Proposed Tax Refund Rider Tariff

March 2, 2018

I.INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is William Don Wathen Jr., and my business address is 139 East Fourth Street, Cincinnati, Ohio 45202.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services LLC (DEBS), as Director of Rates and Regulatory Strategy for Ohio and Kentucky. DEBS provides various administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATION AND PROFESSIONAL EXPERIENCE.

A. I received Bachelor Degrees in Business and Chemical Engineering, and a Master of Business Administration Degree, all from the University of Kentucky. After completing graduate studies, I was employed by Kentucky Utilities Company as a planning analyst. In 1989, I began employment with the Indiana Utility Regulatory Commission as a senior engineer. From 1992 until mid-1998, I was employed by SVBK Consulting Group, where I held several positions as a consultant, focusing principally on utility rate matters. I was hired by Duke Energy (then Cinergy Services, Inc.), in 1998, as an Economic and Financial Specialist in the Budgets and Forecasts Department. In 1999, I was promoted to the position of Manager, Financial Forecasts. In August 2003, I was named to the position of Director - Rates. On December 1, 2009, I took the position of General Manager and Vice President of

Rates, Ohio and Kentucky. On July 3, 2012, as a result of the merger between Duke Energy and Progress Energy Corp., my title changed to Director of Rates and Regulatory Strategy for Ohio and Kentucky.

Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES AS DIRECTOR OF RATES AND REGULATORY STRATEGY FOR OHIO AND KENTUCKY.

A. As Director of Rates and Regulatory Strategy for Ohio and Kentucky, I am responsible for all state and federal rate matters involving Duke Energy Kentucky and its parent, Duke Energy Ohio, Inc.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE KENTUCKY PUBLIC SERVICE COMMISSION?

A. Yes. I have previously testified in a number of cases before the Kentucky Public Service Commission (Commission) and other regulatory commissions.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THESE PROCEEDINGS?

A. My testimony is presents and describes in detail the support for the Offer and Acceptance of Satisfaction which the parties are requesting the Commission to approve in full-satisfaction of this case.

II. DISCUSSION

Q. PLEASE BRIEFLY DESCRIBE THE TAX ACT AND ITS MOST SIGNIFICANT CHANGES.

A. On December 22, 2017, Tax Cuts and Jobs Act of 2017 (Tax Act) was signed into law. The stated purpose behind the Tax Act is to stimulate business investments and grow the economy. This legislation represents the most significant revision to the Federal Tax Code within the last thirty years. The Tax Act has numerous significant changes for all U.S. citizens and corporations, both positive and negative. For regulated utilities, such as Duke Energy Kentucky, some of the key provisions of the Tax Act are as follows: (1) reduction of the corporate tax rate from 35 percent to 21 percent; (2) retention of interest deductibility; and (3) eliminating bonus depreciation. The Tax Act also provides guidance on the treatment of excess accumulated deferred income taxes (ADITs) resulting from the Act.

Q. PLEASE SUMMARIZE HOW THE TAX ACT WILL IMPACT UTILITIES LIKE DUKE ENERGY KENTUCKY.

A. In summary, the changes will lower the Company's annual federal tax expense because of the approximate 40 percent reduction in the federal Tax Rate.[1] Due to this reduction in the federal income tax rate, the Company will now have excess accumulated deferred income taxes (ADITs) on its regulatory books that will have to be accounted for in conformity with the Tax Act. Further, the Tax Act eliminates 'bonus' depreciation, which historically has been used to reduce utility rate base.

Q. PLEASE EXPLAIN THE CONCEPT OF ADITS AND HOW THEY ARE FACTORED INTO UTILITY RATES.

A. Simply put, deferred taxes represent the difference between the income tax expense included in a utility's rates, *i.e.*, what they are recovering from customers, and the income taxes actually paid. These differences arise every year; so, accumulated deferred income taxes or ADITs simply represents the

[1] (0.35-0.21)/0.35= 0.40 or 40%

cumulative total of those deferred taxes at a point in time.

Most of the deferred taxes accrue because the utility pays less income taxes in a particular year and pay more in later years. And, in most cases, this reversal is complete, i.e., however much customers paid in excess of the actual tax in the early years is completely offset in later years when the company's actual tax expense is greater than the amount included in customers' rates.

Prior to passage of the Tax Act, the Company has been collecting these future taxes from customers assuming it would have to pay these taxes based on a 35 percent tax rate. Reducing the tax rate to 21 percent means the Company will pay these taxes sometime in the future based on a 21 percent tax rate. The result of this is that the Company has collected taxes from the customers that it will no longer be required to pay to the federal government. The difference between the deferred taxes the Company previously thought it would have to pay in the future at 35 percent and the deferred taxes it will now have to pay in the future at 21 percent becomes an "excess" deferred income tax liability.

Q. IN AN ORDER ENTERED ON DECEMBER 27, 2017, THE COMMISSION DIRECTED DUKE ENERGY KENTUCKY TO CREATE REGULATORY LIABILITIES ON JANUARY 1, 2018, TO ACCOUNT FOR THE IMMEDIATE EFFECTS OF THE TAX ACT. HAS DUKE ENERGY KENTUCKY COMPLIED WITH THIS ORDER?

A. On December 31, 2017, the Company estimated the amount of the excess accumulated deferred income tax and recorded a regulatory liability to reflect that estimate. Beginning in 2018, the Company will defer the impacts of the lower tax rate until such time as new rates are in effect.

III. STIPULATION AND SETTLEMENT AGREEMENT

Q. DID DUKE ENERGY KENTUCKY TENDER AN OFFER OF SATISFACTION TO RESOLVE THE ISSUES RAISED IN THIS COMPLAINT CASE?

A. Yes. Duke Energy Kentucky filed an Answer and an Offer of Satisfaction on January 26, 2018. At that same time, Duke Energy Kentucky also filed a Motion to Schedule an Informal Conference. An Informal Conference was held at the Commission's office on February 7, 2018. Representatives of Duke Energy Kentucky, the KIUC, and the Attorney General's Office (the "Parties"), and the Commission Staff were present during the conference and participated in settlement discussions.

Q. AS A RESULT OF THE INFORMAL CONFERENCE, DID KIUC AND THE ATTORNEY GENERAL'S OFFICE ACCEPT AN OFFER OF SATISFACTION IN THIS CASE?

A. The Company's initial Offer of Satisfaction was not acceptable to KIUC, the AG, or Commission Staff. However, after discussions, a settlement was reached with the Complainant, KIUC. There was agreement, however, that the effects of the Tax Act upon Duke Energy Kentucky's electric rates should be addressed in the context of the Company's pending electric base rate case (Case No. 2017-00321). With regard to its natural gas rates, the Company also offered an alternative offer of settlement that follows the same formula agreed to by the Parties in the Louisville Gas & Electric Company and Kentucky Utilities Company's

(LG&E/KU) tax complaint case (Case No. 2018-00034).

Generally, the Company has agreed to provide a credit to customers for an appropriate and agreed upon level of benefits stemming from the Tax Act. The credit will be through a separate surcredit on customer's bills that will commence in May and will last until the Company has new natural gas base rates approved by this Commission in a case to be filed later this year.

Q. WAS THE COMPANY'S ALTERANTIVE OFFER OF SETTLEMENT ACCEPTED?

A. KIUC agreed that Duke Energy Kentucky was using the same formula as previously agreed to in the LG&E/KU complaint case. It therefore agreed with, and accepted, Duke Energy Kentucky's proposed settlement. I have attached the stipulation, with signatures from the Company and the KICU, as Attachment WDW-1 to my testimony.

The Attorney General's Office, however, has not agreed to the proposed stipulation.

Q. WILL YOU DESCRIBE THE METHODOLOGY AGREED TO IN THE STIPULATION FOR PROVIDING DUKE ENERGY KENTUCKY'S GAS CUSTOMERS WITH BENEFITS FROM THE TAX ACT?

A. Attachment WDW-2 to my testimony includes the calculation of the annualized benefit of the Tax Act that the Company is proposing to flow through to customers via a rider.

Generally, the methodology mirrors the methodology already agreed to by the KIUC and the Attorney General in Case No. 2018-0034, which would resolve the KIUC's identical complaint against LGE/KU. There are two major components of the calculation. The first component calculates the impact of the change in the federal income tax rate on the Company's pre-tax return requirement (page 1, line 3, of Attachment WDW-2). The second component is to calculate the amortization of the excess ADITs that have been estimated at December 31, 2017, considering the requirement to normalize the return of certain ADITs (page 1, line 9, of Attachment WDW-2).

Q. HOW DID YOU CALCULATE THE IMPACT OF THE TAX ACT ON THE PRE-TAX RETURN?

A. The Company's existing gas base rates were approved by the Commission in its order Case No. 2009-00202. The basis for computing the return component of the Company's overall revenue requirement was the thirteen-month (January 31, 2010, through January 31, 2011) average capitalization allocated to gas service (page 2, line 2, of Attachment WDW-2). The Commission's order, in Case No. 2009-00202, did not specify the capitalization that it used as the basis for establishing new rates; so, I used the Company's as filed capitalization.

The return component of the Company's revenue requirement is the basis for calculating income taxes. The Company's after-tax weighted-average cost of capital, as approved in that case, was grossed up in order to convert the after-tax return to a pre-tax return, i.e., includes income taxes. The federal income tax rate included in that calculation at the time of the last rate case included a 35 percent federal income tax rate.

Following the methodology agreed to by the KIUC and AG in Case No.

2018-00034, I next estimated the capitalization for a forecasted period (page 2, line 6, of Attachment WDW-2) and calculated the pre-tax return based on the current 21 percent tax rate, the currently approved return on equity of 10.375 percent, the cost of debt in the forecasted period, and the capital structure in the forecasted period (see page 3 of Attachment WDW-2).

In Attachment WDW-3, I include copies of the relevant pages from the Company's Application to show the capitalization adjustment and the weighted-average cost of capital.

Q. WHY DID YOU USE 10.375 PERCENT AS THE RETURN ON EQUITY?

A. 10.375 percent is the Company's current Commission-authorized return on equity for base natural gas rates. Until new base rates are approved, 10.375 percent is the allowed return on equity. There is no basis to use any other value for this part of the calculation.

Q. WHAT WAS YOUR SOURCE FOR THE FORECASTED DATA?

A. The Company currently has pending a request to increase its base rates for electric service using a forecasted test year of April 1, 2018, through March 31, 2019. Insofar as the Company is expecting to file for new rates around September 2018, the forecasted total company capitalization for the test year used in the electric case represents a reasonable approximation of the total capitalization for the gas business as well. Because the overall capitalization is allocated between electric and gas, I estimated the projected capitalization for the gas business to be the capitalization that was not allocated to electric. Inasmuch as neither the AG nor the KIUC, or any other party to Case No. 2017-00321, objected to the ratio used for allocating capitalization between gas and electric, it should be a reasonable and uncontroversial basis for making this estimate.

Q. WHAT WAS THE RESULT OF YOUR CALCULATIONS?

A. Because the Company's capitalization has grown significantly since the existing base rates were approved, meaning that the Company's required return on rate base is significantly below what was previously authorized by the Commission and this deficiency exceeds the benefit of a lower pre-tax return that results from the lower federal income tax expense and the lower after-tax weighted average cost of capital for the forecasted period.

The net result of this calculation shows that, following the methodology agree to by the KIUC and the AG in Case No. 2018-00034, the Company is underrecovering through rates and thus there is no refund due to customers for the change in taxes as it relates to the return component of capitalization. Based on the result of this calculation, the Company and KIUC agree that this component of the refund obligation be set at $0, instead of the under-recovered amount, so not to reduce the amount of excess ADITs that will be refunded.

Q. HOW DID THE COMPANY ESTIMATE THE AMOUNT OF EXCESS ADITS TO BE REFUNDED TO CUSTOMERS?

A. The Company made an estimate of the excess ADIT balance as of December 31, 2017 (page 4, lines 2-3, of Attachment WDW-2). There will be a true-up to adjust the estimate after the tax returns have been finalized for 2017, sometime later this year. As has been discussed in the Company's earlier testimony in this case, there are "protected" and "unprotected" excess ADITs.

For the protected excess ADITs, Duke Energy's tax department provided the amortization rates to be used under the 'average rate assumption method' (ARAM) that will avoid any violation of normalization rules. That rate, for 2018, is 1.8 percent (page 4, line 4, of Attachment WDW-2). The rate will change in 2019 to 2.8 percent. Applying these rates to the balance of protected excess ADITs yields the amortization amounts that will, once grossed up for taxes, be refunded to customers.

For the unprotected excess ADITs, in order to minimize controversy, the Company proposes to use the same fifteen-year amortization period that was used in the settlement agreed to in Case No. 2018-00034. The amortization amount for the unprotected excess ADITs is also grossed up for taxes.

Q. WHAT IS THE ESTIMATED BENEFIT TO NATURAL GAS CUSTOMERS OF THE TAX ACT?

A. From January 1, 2018, to March 31, 2019, the estimated amount of the benefits of the Tax Act to be distributed by Duke Energy Kentucky to its natural gas retail customers, as provided in this Agreement are $1,070,207 (page 1, line 9, of Attachment WDW-2). This amount includes both protected and unprotected amortized excess ADITs multiplied by the gross revenue conversion factor filed in Case No. 2017-00321, as adjusted for a new 21 percent federal income tax rate. This amount also excludes the increase in the annual revenue requirement that would otherwise be attributed to the increase in Duke Energy Kentucky's capitalization for the same period even when the reduced federal income tax rate is taken into account.

Q. ACCORDING TO THE AGREEMENT, HOW WILL NATURAL GAS CUSTOMERS RECEIVE THE ESTIMATED BENEFITS OF THE TAX ACT?

A. The Company proposes to implement a new rider, the Tax Refund Rider, to be effective beginning May 1, 2018, and continuing through the date new base gas rates are approved and implemented, which is expected to be around April 1, 2019. This new rider will reflect a credit based on usage (*i.e.*, $/MCF) basis.

Q. HOW IS THE SURCREDIT FOR RESIDENTIAL NATURAL GAS CUSTOMERS CALCULATED?

A. The Tax Refund Rider rate for is computed by first allocating the amount of the refund to residential and non-residential customers based on their relative shares of overall revenue from the most recent base rate case. The amount of the refund allocated to each class is then divided by the usage for each class that was used in the last base rate case for establishing base rates in order to calculate the Tax Refund Rider rates for residential and non-residential customers. The calculations are shown on page 1, line 10, of Attachment WDW-2.

Q. PLEASE SUMMARIZE THE ESTIMATED BENEFITS TO BE DISTRIBUTED TO NATURAL GAS CUSTOMERS?

A. Over the period May 1, 2018, through March 31, 2019, Duke Energy Kentucky's residential natural gas customers can expect to see approximately $680,680 in refunds due to the impact of the Tax Act for the period from January 1, 2018, through March 31, 2019. Non-residential customers will receive $389,526 over that same period, for a total of $1,070,207 for all customers.

Q. WHEN WOULD THE TAX ACT NATURAL GAS SURCREDIT END?

A. The Company anticipates filing a base rate case around September 2018 and expects to use a forecasted test year. Based on the time expected between the filing of the application and the establishment of new base rates, it is reasonable to expect that a September 2018 application would mean new base rates around April 1, 2019.

To be clear, customers will continue receiving the benefits associated with the Tax Act but those benefits will be incorporated into base rates when the Company's next rate case is approved.

Q. DOES THE AGREEMENT ALSO ADDRESS THE IMPLICATIONS OF THE LOWER FEDERAL INCOME TAX RATE ON THE COMPANIES' OTHER RATE MECHANISMS?

A. Yes. In addition to the surcredit for natural gas base rates, the reduction in the federal income tax rate will be taken into account when the Company updates its Accelerated Service Replacement Program Rider (Rider ASRP). Rider ASRP is affected by the Tax Act because it includes a component for a return on the ASRP rate base. Duke Energy Kentucky will update its current Rider ASRP to reflect lower income tax rate so that customers will see a lower Rider ASRP charge beginning May 1, 2018. Attachment WDW-4 is a revised Rider ASRP rate calculation, including a revised Rider ASRP tariff, based on the filing made in July 2017 updated to reflect the lower federal income tax rate. All subsequent annual filings for Rider ASRP, beginning with the filing expected on or before July 2018 (for rates effective January 1, 2019), will also reflect the lower federal income tax. The Company's forms will be updated at the time of their next filing to take into account the reduction in the federal income tax rate.

Q. IS DUKE ENERGY KENTUCKY PROPOSING NEW RATE SCHEDULES TO REFLECT THE TCJA SURCREDIT?

A. Yes. I have included Attachment WDW-5, which is a proposed tariff for the Tax Refund Rider.

IV. CONCLUSION

Q. DO YOU RECOMMEND THAT THE COMMISSION ACCEPT THE AGREEMENT?

A. Yes.

Q. PLEASE EXPLAIN.

A. The Agreement is a reasonable settlement of this proceeding. The same formula is being used in this Agreement as was used in the LG&E/KU Offer and Acceptance of Satisfaction that was tendered to the Commission a short time ago. The Agreement achieves a result that is fair, just and reasonable.

Q. WERE ATTACHMENTS WDW-1 THROUGH WDW-5 PREPARED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes.

Q. DOES THIS CONCLUDE YOUR PRE-FILED TESTIMONY?

A. Yes.

VERIFICATION

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

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 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

NOTARY PUBLIC STATE OF OHIO

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

NON-UNANIMOUS STIPULATION AND SETTLEMENT AGREEMENT

This Stipulation and Settlement Agreement ("Agreement") is entered into on this 2nd day of March, 2018, by and between Duke Energy Kentucky, Inc. ("Duke Energy Kentucky") and Kentucky Industrial Utility Customers, Inc., ("KIUC") (collectively, "the Parties").

RECITALS

WHEREAS, KIUC filed a complaint with the Kentucky Public Service Commission ("Commission"), on December 21, 2017, requesting the Commission to lower the rates of Duke Energy Kentucky and other jurisdictional utilities due to the anticipated effects of the Tax Cuts and Jobs Act ("Tax Act"); and

WHEREAS, on December 22, 2017, the Tax Act was signed into law by President Donald Trump; and

WHEREAS, on December 27, 2017, the Commission issued an Order which determined that KIUC's complaint had established a *prime facie* case and established Case No. 2017-00477 to investigate the claims made in KIUC's complaint; and

WHEREAS, on January 25, 2018, the Commission issued an Order separating Case No. 2017-00477 into three separate cases, with the new case number for the complaint against Duke Energy Kentucky being 2018-00036 (the "Complaint Proceeding"); and

WHEREAS, the Commission has granted full intervention to the Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention, ("AG"); and

WHEREAS, an informal conference was held on February 7, 2018, for the purpose of discussing possible settlement and was attended by representatives of Duke Energy Kentucky, KIUC, the AG and Commission Staff; and

WHEREAS, the Parties hereto desire to satisfy all the issues pending before the Commission in the Complaint Proceeding relating to Duke Energy Kentucky's natural gas operations; and

WHEREAS, it is understood by both Parties hereto that this Agreement is subject to the approval of the Commission, insofar as it constitutes an agreement by the Parties for satisfying the Complaint Proceeding, and, absent express agreement stated herein, does not represent agreement on any specific claim, methodology, or theory supporting the appropriateness of any proposed or recommended adjustments to Duke Energy Kentucky's rates, terms, or conditions; and

WHEREAS, the Parties to this Agreement agree that this Agreement, viewed in its entirety, is a fair, just and reasonable resolution to all of the issues in the Complaint Proceeding; and

WHEREAS, the AG has decided not to join in this Agreement; and

WHEREAS, to the maximum extent possible the terms and conditions of this Agreement were modeled on the Offer And Acceptance Of Satisfaction entered into and submitted to the Commission by KIUC, the AG, Louisville Gas and Electric Company ("LG&E") and Kentucky Utilities Company ("KU") in Case No. 2018-00034; and

WHEREAS, the Parties believe that there is sufficient evidence, including data and other information, in the record of this proceeding to support this Agreement, and further believe that the Commission should approve this Agreement and dismiss the Complaint Proceeding pursuant to 807 KAR 5:001, Section 20(2).

ARTICLE I

SCOPE

1.1 This Agreement shall provide for the disposition of the benefits arising from the Tax Act as applied only to the natural gas operations of Duke Energy Kentucky. The benefits of the Tax Act that are applicable to Duke Energy Kentucky's electric operations shall be reviewed and addressed in the course of Duke Energy Kentucky's pending electric base rate case, which is docketed as Case No. 2017-00321.[1]

1.2 The bill surcredits described herein are intended to provide the natural gas customers of Duke Energy Kentucky with an immediate benefit from the passage of the Tax Act. The bill surcredits described herein will remain in effect until the effective date of Duke Energy Kentucky's new rates for its natural gas service approved in the context of a base rate case. Duke Energy Kentucky anticipates filing a natural gas base rate case using a forecasted test year on or about September 1, 2018, with proposed rates to be effective on or about April 1, 2019.

ARTICLE II

BASE RATE TAX ACT BENEFITS

2.1 For the fifteen month period January 1, 2018, to March 31, 2019, the amount of the benefits of the Tax Act that served as the basis for the calculation of the surcredits to be distributed by Duke Energy Kentucky to its natural gas retail customers, as provided in this Agreement, is $1,070,207., This amount will be credited to customers over the eleven month period May 1, 2018 through March 31, 2019.. The calculation of this credit is reflected in the supporting schedules included as Attachment WDW-2 and is based upon a fifteen year amortization of "unprotected" excess accumulated deferred income taxes (ADITs) and the amortization of "protected" excess ADIT using the Average Rate Assumption Method ("ARAM"). The existing regulatory liability reflects the protected and unprotected excess ADIT balances as of December 31, 2017, which

[1] *See In the Matter of the Electronic Application of Duke Energy Kentucky, Inc. for: 1) an Adjustment of the Electric Rates; 2) Approval of an 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*, Application, Case No. 2017-00321 (Ky. P.S.C.) (filed Sep. 15, 2017).

means that customers shall receive 100% of the regulatory liability. This credit includes the impact of the Tax Act on Duke Energy Kentucky's gas operations based upon the impact of the Company's capitalization in its most recent base rate case, per the Company's application in Case No. 2009-00202, and adjusted to reflect the Company's forecasted capitalization through April 1, 2019, the estimated date of new base natural gas rates. The calculation of the credit on the Company's forecasted capitalization reflects the impact of: (1) the reduction in the federal income tax rate that became effective January 1, 2018; (2) the amortization normalization of protected excess ADITs, consistent with normalization rules; and (3) other adjustments necessary to determine the Company's present and forecasted beginning January 1, 2018, with the effective date of the Tax Act.

2.2 The provision of the Tax Act lowering the federal income tax rate also reduces the revenue requirement included in the Company's natural gas Accelerated Service Replacement Program (Rider ASRP). The Company is including a proposal to update the existing Rider ASRP to reflect the reduced revenue requirement beginning April 1, 2018, and will incorporate the lower federal income tax rate in all future Rider ASRP update filings.

2.3 Beginning May 1, 2018, and continuing through the date when new base rates are established for natural gas service, estimated to be approximately March 31, 2019, Duke Energy Kentucky will establish a new rider, the Tax Refund Rider, to provide a surcredit to customers as a result of the Tax Act. The Company will update this rider as necessary to reflect any changes in the amortization rate of "protected" excess ADITs. The Tax Refund Rider will contain both a residential surcredit and a non-residential surcredit based upon a total revenue allocation. The eleven month CCF usage for calculating the residential and non-residential surcredits is taken from Duke Energy Kentucky's last base rate case. The Tax refund Rider is not subject to "true-up". If new base rates are not established effective as of April 1, 2019, then the Tax Refund Rider will be lowered to an annualized level.

2.4 Duke Energy Kentucky will distribute other benefits arising from the Tax Act and relating to Rider ASRP using a 21% tax rate for 2018 in the Company's next rider adjustment filings that true-up for prior period expenses. Duke Energy Kentucky's next Rider ASRP filing is estimated to be made in July 2018 and will include a gross up for changes resulting from the Tax Act. For its Rider ASRP, Duke Energy Kentucky will update its Rider ASRP to include the effect of the Tax Act changes in its Rider ASRP rates effective with the April 2018 billing cycle.

ARTICLE III

MISCELLANEOUS PROVISIONS

3.1 Except as specifically stated otherwise in this Agreement, entering hereinto shall not be deemed in any respect to constitute an admission by any of the Parties that any computation, formula, allegation, assertion, or contention made by any other party in this Complaint Proceeding is true or valid.

3.2 The Parties hereto agree that the foregoing Agreement represents a fair, just, and reasonable resolution of the issues presented in this case and therefore request the Commission to approve this Agreement in its entirety and without modification.

3.3 Following the execution of this Agreement, the signatory Parties shall cause the Agreement to be filed with the Commission on or about March 9, 2018. In order to expedite the reduction in rates for customers, Duke Energy Kentucky will request the Commission to approve said filing on or before April 15, 2018. The Company will need approximately two weeks to implement the rider from the date of an Order approving same. The Company prefers any rider mechanism go into effect at the start of the monthly billing cycle.

3.4 The Agreement is subject to the acceptance of, and approval by, the Commission. The Parties agree to act in good faith and to use their best efforts to recommend to the Commission that this Agreement be accepted and approved as the complete disposition and resolution of the

Complaint Proceeding as it pertains to the natural gas rates of the Company. The Parties commit to notify immediately any other signatory to this Agreement of any perceived violation of this provision so the Party may have an opportunity to cure any perceived violation, and all Parties commit to work in good faith to address and remedy promptly any such perceived violation. In all events counsel for all signatory Parties will represent to the Commission that the Agreement is a fair, just, and reasonable means of resolving all issues in the Complaint Proceeding relating to Duke Energy Kentucky's natural gas operations and rates, and will clearly and definitively ask the Commission to accept and approve the Agreement as such.

3.5 If the Commission issues an order adopting this Agreement in its entirety and without additional conditions, each of the Parties agrees that it shall file neither a motion for rehearing with the Commission, nor an appeal to the Franklin Circuit Court with respect to such Order.

3.6 If the Commission does not accept and approve this Agreement in its entirety and without modification, then either adversely affected Party may withdraw from this Agreement within the statutory periods provided for rehearing and appeal of the Commission's order by giving notice of withdrawal to the other Party and timely filing for rehearing or appeal. If any Party timely seeks rehearing of or appeals the Commission's order, both Parties will continue to have the right to withdraw until the conclusion of all rehearings and appeals. Upon the latter of either the expiration of the statutory periods provided for rehearing and appeal of the Commission's Order or the conclusion of all rehearings and appeals, all Parties that have not withdrawn will continue to be bound by the terms of the Agreement as modified by the Commission's Order.

3.7 If the Agreement is voided or vacated for any reason after the Commission has approved same, neither of the Parties will be bound by the Agreement.

3.8 The Agreement shall inure to the benefit of and be binding upon the Parties hereto and their successors and assigns.

3.9 The Agreement constitutes the complete agreement and understanding among the signatory Parties, and any and all oral statements, representations, or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into the Agreement.

3.10 The Parties hereto agree that, for the purpose of the Agreement only, the terms are based upon the independent analysis of the Parties to reflect a fair, just and reasonable resolution of the issues herein related to Duke Energy Kentucky's natural gas operations and rates and are a product of compromise and negotiation.

3.11 The Parties hereto agree that neither the Agreement nor any of the terms shall be admissible in any court or commission except insofar as such court or commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Agreement shall not have any precedential value in this or any other jurisdiction.

3.12 The signatories hereto warrant that they have appropriately informed, advised, and consulted their respective Parties in regard to the contents and significance of this Agreement and based upon the foregoing are authorized or reasonably expect to be authorized to execute this Agreement on behalf of their respective Parties.

3.13 The Parties hereto agree that this Agreement is the product of negotiation among the Parties hereto, and no provision of this Agreement shall be strictly construed in favor of or against any Party. Notwithstanding anything contained in the Agreement, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of Duke Energy Kentucky are unknown and this Agreement shall be implemented as written.

IN WITNESS WHEREOF, the Parties have hereunto affixed their signatures.

HAVE SEEN AND AGREED

Duke Energy Kentucky, Inc.

on behalf of

By: Rocco D'Ascenzo

HAVE SEEN AND AGREED

Kentucky Industrial Utility Customers, Inc.

By: Michael L. Kurtz

Duke Energy Kentucky
Case No. 2018-0036

		Case No. 2009-00202 (a)	Forecast Period 4/1/18 - 3/31/19 (b)	Difference (c)	
1	Capitalization Allocated to Gas	$253,750,235	$311,173,596	$57,423,361	Schedule 1, page 2 of 4
2	Pre-Tax Return	10.78%	8.85% (a)	-1.93%	Schedule 1, page 3 of 4
3	Increase/(Decrease) in Annual Revenue Requirement	$27,351,443	$27,538,425	**$186,982**	(a)(3) - (b)(3)
4	Amount to (Refund) or Recover			**$0**	Lesser of $0 or Line 3
5	Total Amort of Excess ADITs 1/1/18-3/31/19 (Protected)			$772,711	Schedule 1, page 4 of 4.
6	Total Amort of Excess ADITs 1/1/18-3/31/19 (Unprotected)			$25,364	Schedule 1, page 4 of 4.
7	Total Amortization of Excess ADITs through December 31, 2018			$798,074	Line 5 + Line 6
8	Gross Revenue Conversion Factor			1.3409866	GRCF as Filed in Case No. 2017-00321 adjusted for 21% FIT
9	Total Refund: May 1, 2018, thru March 31, 2018			**$1,070,207**	Line 7 * Line 8

		Total 2017	% of Total	
	Total Gas Revenue (Base & All riders)			
10	Residential Revenue	$59,228,599	63.6%	
11	Non-Residential Revenue	44,065,602	36.4%	
12	Total Gas Revenue	$93,122,758	100.0%	**Revenue & Sales From Test Year Used in 2009-00202**
13	Annual Gas Sales (CCF) from Most Recent Rate Case			
14	Residential Usage		68,500,260	
15	Non-Residential Usage		63,964,420	
	Pro rated Gas Sales from Prior Case (11 months/12 months)			
16	Residential Usage		62,791,905	Line 14 * 11 months/12 months
17	Non-Residential Usage		58,634,052	Line 15 * 11 months/12 months
16	Residential Tax Refund Rider Rate		**$0.0108**	Residential Share of Total Revenue * Line 9 ÷ Line 16
18	Non-Residential Tax Refund Rider Rate		**$0.0062**	Non-Residential Share of Total Revenue * Line 9 ÷ Line 16

Note: (a) The ROR for the Forecast Period assumes the currently approved ROE from Case No. 2009-00202 updated for the change in capital structure and current debt rates.
(b) Refund period is assumed to be 10 months; so, annual sales from 2009 rate case are pro rated.

$680,680.6022
$389,526.30

Duke Energy Kentucky
Case No. 2018-0036

1	Current Capitalization Allocated to Gas in Base Rates	$253,750,235	Schedule A-1, DEK Application in Case No. 2009-00202
	Calculate Capitalization Allocable to Gas for Forecast Period [a]		
2	Total Capitalization from Pending Electric Rate Case	$1,113,123,218	Schedule WPA-1c, Line 8, from Case No. 2017-00321
3	Electric Jurisdictional Rate Base Allocation Percent	72.05%	Schedule WPA-1c, Line 10, from Case No. 2017-00321
4	Capitalization Allocated to Electric	$801,949,623	Line 2 * Line 3
5	Capitalization Allocated to Gas	**311,173,596**	Line 2 - Line 4
6	Total Capitalization	$1,113,123,218	Line 4 + Line 5

Notes: [a] Forecast period in current rate case is April 1, 2018, through March 31, 2019.
See Attachment WDW-3

Duke Energy Kentucky
Case No. 2018-0036

Line	Capital Component	Capitalization from J-1 Forecast in Case No. 2017-00321 (w/ GRCF @ 21% FIT and 10.375% ROE)					
		13-Mo Avg. Bal.	% of Total	Cost	Weighted Cost	GRCF	Pre-Tax ROR
1	Common Equity	$522,765,867	48.89%	10.375%	5.073%	1.3409866	6.80%
2	Long-Term Debt	434,934,967	40.68%	4.243%	1.726%	1.0000000	1.73%
3	Short-Term Debt	111,491,538	10.43%	3.083%	0.321%	1.0000000	0.32%
4	Total Capital	$1,069,192,372	100.00%		7.120%		8.85%

	Capital Component	Capitalization As Approved in Case No. 2009-00202					
		13-Mo Avg. Bal.	% of Total	Cost	Weighted Cost	GRCF	Pre-Tax ROR
5	Common Equity	$411,218,278	50.80%	10.375%	5.270%	1.6437800	8.66%
6	Long-Term Debt	352,923,437	43.60%	4.703%	2.050%	1.0043490	2.06%
7	Short-Term Debt	45,403,690	5.61%	1.009%	0.057%	1.0043490	0.06%
8		$809,545,405	100.00%		7.377%		10.78%

Duke Energy Kentucky
Tracking the Regulatory Liability For Excess Deferred Income Taxes

Creating the Regulatory Liability For Amort Beg 1/1/18

Protected EDITs	Account 254.XX: Protected EDIT			Account 254.YY: Regulatory Liability			Total Gross	Levelized Refund to Customers		Remaining
	Beg Balance	Debit: Amort Exp	Ending Balance	Beg Balance	(Debit)/Credit	Ending Balance	Reg Liability	Debit: Acct 254	Credit: Cash	Reg Liability
	(a)	(b)	(c)=(a)-(b)	(d)	(e)	(f)=(d)+(e)	(g)=(c)+(f)	(h)	(i)	(j)
December 31, 2017 (per books)			($31,411,000)				($31,411,000)			($31,411,000)
January 2018	($31,411,000)	$46,069	(31,364,931)	$0	$46,069	$46,069	(31,318,861)	$0	$0	(31,411,000)
February 2018	(31,364,931)	46,069	(31,318,861)	46,069	46,069	92,139	(31,226,722)	-	-	(31,411,000)
March 2018	(31,318,861)	46,069	(31,272,792)	92,139	46,069	138,208	(31,134,583)	-	-	(31,411,000)
April 2018	(31,272,792)	46,069	(31,226,722)	138,208	46,069	184,278	(31,042,444)	-	-	(31,411,000)
May 2018 (Refund Begins)	(31,226,722)	46,069	(31,180,653)	184,278	(24,177)	160,101	(31,020,552)	70,246	70,246	(31,340,754)
June 2018	(31,180,653)	46,069	(31,134,583)	160,101	(24,177)	135,924	(30,998,659)	70,246	70,246	(31,270,507)
July 2018	(31,134,583)	46,069	(31,088,514)	135,924	(24,177)	111,747	(30,976,767)	70,246	70,246	(31,200,261)
August 2018	(31,088,514)	46,069	(31,042,444)	111,747	(24,177)	87,570	(30,954,874)	70,246	70,246	(31,130,014)
September 2018	(31,042,444)	46,069	(30,996,375)	87,570	(24,177)	63,393	(30,932,982)	70,246	70,246	(31,059,768)
October 2018	(30,996,375)	46,069	(30,950,305)	63,393	(24,177)	39,216	(30,911,089)	70,246	70,246	(30,989,521)
November 2018	(30,950,305)	46,069	(30,904,236)	39,216	(24,177)	15,039	(30,889,197)	70,246	70,246	(30,919,275)
December 2018	(30,904,236)	46,069	(30,858,166)	15,039	(24,177)	(9,138)	(30,867,304)	70,246	70,246	(30,849,029)
January 2019	(30,858,166)	73,292	(30,784,874)	(9,138)	3,046	(6,092)	(30,790,966)	70,246	70,246	(30,778,782)
February 2019	(30,784,874)	73,292	(30,711,582)	(6,092)	3,046	(3,046)	(30,714,628)	70,246	70,246	(30,708,536)
March 2019	($30,711,582)	73,292	($30,638,289)	($3,046)	3,046	($0)	($30,638,289)	70,246	70,246	($30,638,289)
Total Amortized EDITs (Protected)		$772,711			($0)			$772,711	$772,711	

2018 ARAM Rate	1.8%
2019 ARAM Rate	2.8%

Creating the Regulatory Liability For Amort Beg 1/1/18

Unprotected EDITs	Account 254.XX: UnProtected EDIT			Account 254.YY: Regulatory Liability			Total Gross	Levelized Refund to Customers		Remaining
	Beg Balance	Credit: Amort Exp	Ending Balance	Beg Balance	Debit/(Credit)	Ending Balance	Reg Liability	(Debit): Acct 254	Credit: Cash	Reg Liability
	(a)	(b)	(c)=(a)-(b)	(d)	(e)	(f)=(d)+(e)	(g)=(c)+(f)	(h)	(i)	(j)
December 31, 2017 (per books)			($304,364)				($304,364)			($304,364)
January 2018	($304,364)	$1,691	(302,673)	$0	$1,691	$1,691	(300,982)	$0	$0	(304,364)
February 2018	(302,673)	$1,691	(300,982)	1,691	1,691	3,382	(297,600)	-	-	(304,364)
March 2018	(300,982)	1,691	(299,291)	3,382	1,691	5,073	(294,219)	-	-	(304,364)
April 2018	(299,291)	1,691	(297,600)	5,073	1,691	6,764	(290,837)	-	-	(304,364)
May 2018 (Refund Begins)	(297,600)	1,691	(295,909)	6,764	(615)	6,149	(289,761)	2,306	2,306	(306,670)
June 2018	(295,909)	1,691	(294,219)	6,149	(615)	5,534	(288,685)	2,306	2,306	(304,364)
July 2018	(294,219)	1,691	(292,528)	5,534	(615)	4,919	(287,609)	2,306	2,306	(302,058)
August 2018	(292,528)	$1,691	(290,837)	4,919	(615)	4,304	(286,533)	2,306	2,306	(299,752)
September 2018	(290,837)	$1,691	(289,146)	4,304	(615)	3,689	(285,457)	2,306	2,306	(297,447)
October 2018	(289,146)	$1,691	(287,455)	3,689	(615)	3,074	(284,381)	2,306	2,306	(295,141)
November 2018	(287,455)	$1,691	(285,764)	3,074	(615)	2,460	(283,304)	2,306	2,306	(292,835)
December 2018	(285,764)	$1,691	(284,073)	2,460	(615)	1,845	(282,228)	2,306	2,306	(290,529)
January 2019	(284,073)	$1,691	(282,382)	1,845	(615)	1,230	(281,152)	2,306	2,306	(288,223)
February 2019	(282,382)	$1,691	(280,691)	1,230	(615)	615	(280,076)	2,306	2,306	(285,918)
March 2019	(280,691)	$1,691	($279,000)	$615	(615)	($0)	($279,000)	2,306	2,306	($283,612)
Total Amortized EDITs (UnProtected)		$25,364			($0)			$25,364	$25,364	

Amortization Period (yrs)	15

Notes: (b) For protected EDITs, reflects the monthly amortization at the ARAM rate. For unprotected, represents the agreed upon amortization of EDITs over 15 years since no actual amortization rate has been approved.
(e) Until customers begin receiving credits for the amortization of EDITs. The amortization of the EDIT balance is accrued to another Account 254 Subaccount for Regulatory Liabilities.
(h) Reflects the ongoing monthly amortization
(i) Reflects the average monthly revenue being flowed through to customers.
(j) Reflects the remaining balance of the EDITs owed to customers.

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	$1,194,776	$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	$1,194,776	$2,569,896	$3,847,014	$4,990,061	$6,077,800	$6,854,435	$7,682,387	$8,443,934	$9,251,338	$10,216,825	$10,936,069	$12,124,864
Carrying Costs (1)	$5,682	$12,222	$18,296	$23,732	$28,905	$32,599	$36,536	$40,158	$43,998	$48,590	$52,010	$57,664
Cumulative Deferral with carrying costs	$1,200,460	$2,582,118	$3,865,309	$5,013,793	$6,106,705	$6,887,034	$7,718,923	$8,484,092	$9,295,336	$10,265,415	$10,988,079	$12,182,528

	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	$12,553,362	$13,433,735	$14,742,385	$17,522,506	$18,170,786	$19,015,208	$19,575,487	$20,375,168	$21,127,487	$21,672,214	$22,337,636	$23,351,409
Carrying Costs (1)	$59,702	$63,889	$70,112	$83,334	$86,417	$90,433	$93,098	$96,901	$100,479	$103,069	$106,234	$111,055
Cumulative Deferral with carrying costs	$12,613,064	$13,497,624	$14,812,497	$17,605,840	$18,257,203	$19,105,641	$19,668,585	$20,472,069	$21,227,966	$21,775,283	$22,443,870	$23,462,464

	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	$668,984	$911,123
Reagents EB Incremental	$404,277	$295,316	$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	$1,003,618	$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	$24,183,909	$24,954,829	$25,938,440	$26,604,893	$27,876,978	$28,683,302	$29,546,925	$30,197,862	$31,089,879	$31,921,920	$32,711,137	$33,730,402
Carrying Costs (1)	$115,015	$118,681	$123,359	$126,528	$132,578	$136,413	$140,520	$143,616	$147,858	$150,188	$154,049	$158,359
Cumulative Deferral with carrying costs	$24,298,924	$25,073,510	$26,061,799	$26,731,422	$28,009,556	$28,819,715	$29,687,445	$30,341,478	$31,237,737	$32,072,108	$32,865,186	$33,888,761

	Last Known Actual	Kollen's Projection	
	Jan-18	**Feb-18**	**Mar-18**
O&M	$776,976		
Reagents EB Incremental	$355,996		
Total Incremental	$1,132,973		
Less MF6 base	($364,590)		
Total Deferral	$768,383	$728,732	$728,732
Cumulative Deferral	$34,657,144	$35,548,872	$36,444,935
Carrying Costs (1)	$162,996.45	$167,332	$171,593
Cumulative Deferral with carrying costs	$34,820,141	$35,716,204	$36,616,528

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

Duke Energy Kentucky, Inc.
4580 Olympic Blvd.
Erlanger, Kentucky 41018

RIDER ASRP

ACCELERATED SERVICE REPLACEMENT PROGRAM RIDER

APPLICABILITY

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

CALCULATION OF ACCELERATED SERVICE REPLACEMENT RIDER REVENUE REQUIREMENT

The ASRP Rider revenue requirement includes the following:

a. ASRP-related Plant In-Service not included in base gas rates minus the associated ASRP-related accumulated depreciation and accumulated deferred income taxes;
b. Retirement and removal of plant related to ASRP construction;
c. The rate of return on the net rate base is the overall rate of return on capital, using the capital structure and debt rates from the most recent base gas rate case and using a 9.7% ROE, grossed up for federal and state income taxes;
d. Depreciation expense on the ASRP-related Plant In-Service less retirements and removals;
e. Property taxes related to ASRP and;
f. Operation and Maintenance Costs for reconnaissance and relocation of meters.

ACCELERATED SERVICE REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate RS and Rate GS shall be assessed a separate monthly charge that will enable the Company to complete the service replacement program. This monthly charge is in addition to the Customer Charge component of their applicable rate schedule, as well as any other applicable monthly charges. Customers receiving service under Rate DGS, Rate FT-L, Rate IT and Rate SSIT will be assessed a separate throughput charge in addition to their commodity delivery charge, for that purpose.

Rider ASRP will be updated annually, to reflect the anticipated impact on the Company's revenue requirements of net plant additions and projected operations and maintenance expense during the upcoming calendar year. Such adjustments to the Rider will become effective with the first billing cycle of January, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission. After each year, the Company will submit a balancing adjustment to true-up the actual costs with the projected program costs for the preceding year. Any balancing adjustment will become effective with the first billing cycle on or after the effective date of the change.

The charges for the respective gas service schedules for the revenue month beginning ~~January~~ April 2018 are: (T)

Rate RS, Residential Service	$~~1.80~~ 1.65/month	(R)
Rate GS, General Service	$~~1.78~~ 1.64/month	(R)
Rate DGS, Distributed Generation Service	$~~0.00045~~ 0.00041/CCF	(R)
Rate FT-L, Firm Transportation Service – Large	$~~0.00045~~ 0.00041/CCF	(R)
Rate IT, Interruptible Transportation Service	$~~0.00039~~ 0.00036/CCF	(R)
Rate SSIT, Spark Spread Interruptible Transportation Rate	$~~0.00039~~ 0.00036/CCF	(R)

Issued by authority of an Order of the Kentucky Public Service Commission dated ~~August 31, 2017~~ in Case No. ~~2017-00249~~2018-00036.
Issued: ~~November 21, 2017~~
Effective: ~~January 2, 2018~~ April 1, 2018
Issued by James P. Henning, President /s/ James P. Henning

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Forecasted Period Ending December 31, 2018
Table of Contents

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
ASRP Rider by Rate Schedule

Line No.	Rate Schedule	Weighted Customers- Services Approved PSC Case No. 2009-202		2018 Projected Revenue Requirement		2016 True Up Revenue Requirement		Total	Billing Determinants # of Bills / CCF		Monthly ASRP Rider	
	(A)	(B)		(C)		(D)		(E)	(F)		(G)	
1	RS- Residential	92.301%	$	1,999,584	$	(194,780)	$	1,804,804	1,091,097	$	1.65	Per Customer
2	GS - General Service	6.969%		150,975		(14,706)		136,269	83,060	$	1.64	Per Customer
3	FT - Firm Transportation (Includes DGS)	0.454%		9,835		(958)		8,877	21,632,800	$	0.00041	Per CCF
4	IT - Interruptible Transportation	0.276%		5,979		(582)		5,397	15,067,630	$	0.00036	Per CCF
5	Total	100.000%	$	2,166,373	$	(211,026)	$	1,955,347				

Residential charge per customer is under the $3 cap for calendar year 2018

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Forecasted ASRP Revenue Requirement for 2018

Line No.	(A)		ASRP Investment December 31, 2018 (B)	Reference (C)	
	Return on Investment				
	Rate Base				
1	Net ASRP Investment - Property, Plant and Equipment	$	15,750,551	Form 2.2	
2	Cost of Removal		8,798	Form 2.2	
3	Accumulated Reserve for Depreciation		(418,580)	Form 2.0	
4	Net PP&E		15,340,769		
5	Accumulated Deferred Taxes on Liberalized Depreciation		(3,258,517)	Form 2.1	
6	Net Rate Base		12,082,252	Line 4 + Line 5	
7	Authorized Rate of Return, Adjusted for Income Taxes		8.697%	Form 1.2	
8	Required Return on ASRP Related Investment	$	1,050,781	Line 6 * Line 7	
	Operating Expenses				
9	Depreciation	$	428,927	Form 2.0	
10	Property Tax		218,146	Line 4 *	1.422%
11	O&M related to reconnaissance fees		461,734	Form 2.3	
12	O&M related to relocation of meters		2,580	Form 2.4	
13	PSC Assessment		4,205	(Sum Line 8 thru 12) * (0.1941% / (1-0.1941%))	
14	Total Operating Expenses		1,115,592	Sum Lines 9 thru 13	
15	**Total Annual Revenue Requirement**	$	2,166,373	Line 8 + Line 14	

Notes:
(1) Property taxes estimated using an effective rate of 1.422%
(2) PSC Assessment using Fiscal Year 2017 rate of 0.1941%

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Cost of Capital

Line No.	Capital Structure (A)	Ratio (B)	Cost (C)	Weighted Cost (D)	Pre-Tax @ Effect. Tax Rate of 25.22% (E)
1	Short term Debt	5.609%	1.009%	0.057%	0.057%
2	Long term Debt	43.595%	4.703%	2.050%	2.050%
3	Equity	50.796%	9.700%	4.927%	6.590%
4	Total	100.000%		7.034%	8.697%

Capital structure and cost of debt as approved in Case No. 2009-202

Return on equity as approved in settlement in Case No. 2015-210 and adjusted to reflect the Tax Cut and Jobs Act of 2017 becoming law. The Return on Equity has been lowered to reflect a reduction of the Corporate tax rate from 35% to 21%.

Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Depreciation

Line No.	Description (A)	Acct Number (B)	(C)	EOY 2017 (D)	Projected 2018 Additions Jan (E)	Feb (F)	Mar (G)	Apr (H)	May (I)	Jun (J)	Jul (K)	Aug (L)	Sep (M)	Oct (N)	Nov (O)	Dec (P)	EOY 2017 (Q)
	Gas Plant Investments [1]																
	Additions																
1	Service Lines	380		$ 13,041,855	$ 100,000	$ 200,000	$ 200,000	$ 600,000	$ 600,000	$ 1,000,000	$ 1,600,000	$ 1,700,000	$ 1,700,000	$ 1,500,000	$ 600,000	$ 200,000	$ 23,041,855
2	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Total Additions			$ 13,041,855	$ 100,000	$ 200,000	$ 200,000	$ 600,000	$ 600,000	$ 1,000,000	$ 1,600,000	$ 1,700,000	$ 1,700,000	$ 1,500,000	$ 600,000	$ 200,000	$ 23,041,855
	Retirements																
4	Service Lines	380		$ (903,617)	$ (12,060)	$ (24,120)	$ (24,120)	$ (72,359)	$ (72,359)	$ (120,598)	$ (192,957)	$ (205,016)	$ (205,016)	$ (180,897)	$ (72,359)	$ (24,120)	$ (2,109,596)
5	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Retirements			$ (903,617)	$ (12,060)	$ (24,120)	$ (24,120)	$ (72,359)	$ (72,359)	$ (120,598)	$ (192,957)	$ (205,016)	$ (205,016)	$ (180,897)	$ (72,359)	$ (24,120)	$ (2,109,596)
	Cost of Removal																
7	Service Lines	380		$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798
8	Total Cost of removal			$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798	$ 8,798

Line No.	Description	Acct Number	Annual Depreciation Rate	EOY 2017	Projected 2018 Depreciation Expense Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	13 month Average
	Accumulated Depreciation Reserve																
	Additions																
9	Service Lines	380	2.80%	$ 237,045	$ 30,431	$ 30,664	$ 31,131	$ 31,598	$ 32,998	$ 34,398	$ 36,731	$ 40,464	$ 44,431	$ 48,398	$ 51,898	$ 53,298	
10	Meter Installations	382			-	-	-	-	-	-	-	-	-	-	-	-	
11	Total Additions			$ 237,045	$ 30,431	$ 30,664	$ 31,131	$ 31,598	$ 32,998	$ 34,398	$ 36,731	$ 40,464	$ 44,431	$ 48,398	$ 51,898	$ 53,298	
	Retirements																
12	Service Lines	380	2.80%	$ (10,862)	$ (2,108)	$ (2,137)	$ (2,193)	$ (2,249)	$ (2,418)	$ (2,587)	$ (2,868)	$ (3,318)	$ (3,797)	$ (4,275)	$ (4,697)	$ (4,866)	
13	Meter Installations	382			-	-	-	-	-	-	-	-	-	-	-	-	
14	Total Retirements			$ (10,862)	$ (2,108)	$ (2,137)	$ (2,193)	$ (2,249)	$ (2,418)	$ (2,587)	$ (2,868)	$ (3,318)	$ (3,797)	$ (4,275)	$ (4,697)	$ (4,866)	
15	**Total Accumulated Depreciation Reserve**			$ 226,183	$ 254,506	$ 283,033	$ 311,971	$ 341,320	$ 371,900	$ 403,711	$ 437,574	$ 474,720	$ 515,354	$ 559,477	$ 606,678	$ 655,110	$ 418,580

Notes:
(1) See Form 2.2 for detail of 2017 ASRP eligible additions

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Deferred Taxes on Liberalized Depreciation

			Tax Year 2016	Tax Year 2017			Tax Year 2018			
			Vintage 2016	**Vintage 2016**	**Vintage 2017**	**TOTAL**	**Vintage 2016**	**Vintage 2017**	**Vintage 2018**	**TOTAL**
Line No.	**(A)**	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**	**(H)**	**(I)**	**(J)**
1	Total ASRP Plant Additions		$ 4,339,804	$ 4,339,804	$ 8,702,051	$ 13,041,855	$ 4,339,804	$ 8,702,051	$ 4,107,692	$ 17,149,547
	Tax Base In-service subject to :									
2	Bonus Depreciation		4,339,804	4,339,804	8,702,051	13,041,855	4,339,804	8,702,051	4,107,692	17,149,547
3	MACRS		2,169,902	0	0	0	0	0	0	0
	Tax Depreciation									
4	Bonus Depreciation		2,169,902	0	4,351,026	4,351,026	0	0	1,643,077	1,643,077
5	MACRS on Balance		81,371	156,645	163,163	319,808	144,884	314,101	92,423	551,408
6	Total Tax Depreciation		2,251,273	156,645	4,514,189	4,670,834	144,884	314,101	1,735,500	2,194,485
7	Book Depreciation		23,628	120,165	82,390	202,555	120,165	219,706	89,056	428,927
8	Tax Depreciation in Excess of Book Depreciation		2,227,645	36,480	4,431,799	4,468,279	24,719	94,395	1,646,444	1,765,558
9	Cost of Removal		8,798	0	0	-	0	0	0	-
10	Total Difference		$ 2,236,443	$ 36,480	$ 4,431,799	$ 4,468,279	$ 24,719	$ 94,395	$ 1,646,444	$ 1,765,558
11	Deferred Taxes @	38.47%	860,360	14,034	1,704,913	1,718,947	9,509	36,314	633,387	679,210
12	Accumlated Deferred Income Tax									$ 3,258,517

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Thirteen Month Average Additions and Retirements

Test Year 12/31/18 ASRP Investment Summary

			ASRP Capex		Retirements		Cost of Removal	
Line No.	Month	Number of Months	By Month	Cumulative	By Month	Cumulative	By Month	Cumulative
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Balance @ 12/31/2017	13		$ 13,041,855		$ (903,617)		$ 8,798
2	Jan-18	12	$ 100,000	13,141,855	$ (12,060)	(915,677)	-	8,798
3	Feb-18	11	200,000	13,341,855	(24,120)	(939,796)	-	8,798
4	Mar-18	10	200,000	13,541,855	(24,120)	(963,916)	-	8,798
5	Apr-18	9	600,000	14,141,855	(72,359)	(1,036,275)	-	8,798
6	May-18	8	600,000	14,741,855	(72,359)	(1,108,633)	-	8,798
7	Jun-18	7	1,000,000	15,741,855	(120,598)	(1,229,231)	-	8,798
8	Jul-18	6	1,600,000	17,341,855	(192,957)	(1,422,188)	-	8,798
9	Aug-18	5	1,700,000	19,041,855	(205,016)	(1,627,205)	-	8,798
10	Sep-18	4	1,700,000	20,741,855	(205,016)	(1,832,221)	-	8,798
11	Oct-18	3	1,500,000	22,241,855	(180,897)	(2,013,118)	-	8,798
12	Nov-18	2	600,000	22,841,855	(72,359)	(2,085,477)	-	8,798
13	Dec-18	1	200,000	23,041,855	(24,120)	(2,109,596)	-	8,798
				222,944,115		(18,186,950)		114,374
14	Number of months			13		13		13
15	13 Month Average			$ 17,149,547		$ (1,398,996)		$ 8,798

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
O&M - Reconnaissance

Test Year 12/31/18 Reconnaissance O&M

Line No.	Month (A)	ASRP O&M 2018 (B)
1	Jan-18	$ 4,617
2	Feb-18	9,235
3	Mar-18	9,235
4	Apr-18	27,704
5	May-18	27,704
6	Jun-18	46,173
7	Jul-18	73,877
8	Aug-18	78,495
9	Sep-18	78,495
10	Oct-18	69,260
11	Nov-18	27,704
12	Dec-18	9,235
13	Total	$ 461,734

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
O&M Meter Relocation

Test Year 12/31/18 ASRP Meter Relocation O&M

Line No.	Month (A)	ASRP O&M 2018 (B)
1	Jan-18	$ 215
2	Feb-18	215
3	Mar-18	215
4	Apr-18	215
5	May-18	215
6	Jun-18	215
7	Jul-18	215
8	Aug-18	215
9	Sep-18	215
10	Oct-18	215
11	Nov-18	215
12	Dec-18	215
13	Total	$ 2,580

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
ASRP Rider Billing Determinants by Rate Schedule
for the Twelve Month Ending April 30, 2017

Line No.	Rate Schedule (A)	May-16 (B)	Jun-16 (C)	Jul-16 (D)	Aug-16 (E)	Sep-16 (F)	Oct-16 (G)	Nov-16 (H)	Dec-16 (I)	Jan-17 (J)	Feb-17 (K)	Mar-17 (L)	Apr-17 (M)	Total (N)
1	RS- Residential (Number of Customers)	90,811	90,475	90,187	90,160	90,239	90,427	90,972	91,662	91,946	91,138	91,961	91,119	1,091,097
2	GS - General Service (Number of Customers)	6,888	6,812	6,756	6,736	6,738	6,762	6,921	7,084	7,133	7,112	7,123	6,995	83,060
3	FT - Firm Transportation (CCF)	1,697,350	1,527,790	1,347,270	1,286,170	1,301,520	1,277,850	1,474,330	1,871,960	2,734,360	2,653,140	2,135,980	2,325,080	21,632,800
4	IT - Interruptible Transportation (CCF)	1,151,670	1,305,840	1,183,700	1,110,280	1,253,250	1,187,330	1,315,110	1,366,330	1,394,310	1,346,610	1,200,790	1,252,410	15,067,630

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
ASRP Revenue Requirement for 2016

Line No.	(A)		ASRP Investment December 31, 2016 (B)	Reference (C)	
	Return on Investment				
	Rate Base				
1	Net ASRP Investment - Property, Plant and Equipment	$	1,109,126	Form 4.5	
2	Cost of Removal		4,187	Form 4.5	
3	Accumulated Reserve for Depreciation		(4,980)	Form 4.3	
4	Net PP&E		1,108,333		
5	Accumulated Deferred Taxes on Liberalized Depreciation		(225,274)	Form 4.4	
6	Net Rate Base		883,059	Line 4 + Line 5	
7	Authorized Rate of Return, Adjusted for Income Taxes		10.117%	Form 4.2	
8	Required Return on ASRP Related Investment	$	89,338	Line 6 * Line 7	
	Operating Expenses				
9	Depreciation	$	23,628	Form 4.3	
10	Property Tax		13,854	Line 4 *	1.250%
11	O&M related to reconnaissance fees		40,586	Form 4.6	
12	O&M related to relocation of meters		1,724	Form 4.7	
13	PSC Assessment		322	(Sum Line 8 thru 12) * (0.1901% / (1-0.1901%))	
14	Total Operating Expenses		80,114	Sum Lines 9 thru 11	
15	**Total Annual Revenue Requirement**	$	169,452	Line 8 + Line 12	
	Collections/(Refunds) for prior years		0		
	Adjusted Revenue Requirement	$	169,452		
	2016 Billed Revenues		380,478		
	Total (Over)/Under Collections	$	(211,026)		

Notes:
(1) Property taxes estimated using an effective rate of 1.25%
(2) PSC Assessment using Fiscal Year 2016 rate of 0.1901%

Duke Energy Kentucky
ASRP Rider by Rate Schedule
Cost of Capital

Line No.	Capital Structure (A)	Ratio (B)	Cost (C)	Weighted Cost (D)	Pre-Tax @ Effect. Tax Rate of 38.47% (E)
1	Short term Debt	5.609%	1.009%	0.057%	0.057%
2	Long term Debt	43.595%	4.703%	2.050%	2.050%
3	Equity	50.796%	9.700%	4.927%	8.010%
4	Total	100.000%		7.034%	10.117%

Capital structure and cost of debt as approved in Case No. 2009-202
Return on equity as approved in settlement in Case No. 2015-210

Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Depreciation

Line No.	Description (A)	Acct Number (B)	(C)	EOY 2015 (D)	Actual 2016 Additions Jan (E)	Feb (F)	Mar (G)	Apr (H)	May (I)	Jun (J)	Jul (K)	Aug (L)	Sep (M)	Oct (N)	Nov (O)	Dec (P)	EOY 2016 (Q)
	Gas Plant Investments [1]																
	Additions																
1	Service Lines	380		-	37,729	16,027	20,485	34,739	72,395	84,870	571,890	458,274	706,429	587,077	315,355	1,434,533	4,339,804
2	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Total Additions			-	37,729	16,027	20,485	34,739	72,395	84,870	571,890	458,274	706,429	587,077	315,355	1,434,533	4,339,804
	Retirements																
4	Service Lines	380		-	-	(15,895)	(835)	(2,556)	(4)	-	(3,045)	-	(397)	(5,368)	(13,766)	(6,339)	(48,206)
5	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Retirements			-	-	(15,895)	(835)	(2,556)	(4)	-	(3,045)	-	(397)	(5,368)	(13,766)	(6,339)	(48,206)
	Cost of Removal																
7	Service Lines	380		-	-	-	-	2,389	-	2,753	1,934	-	-	-	330	1,392	8,798
8	Total Cost of removal			-	-	-	-	2,389	-	2,753	1,934	-	-	-	330	1,392	8,798

Line No.	Description	Acct Number	Annual Depreciation Rate	EOY 2015	Actual 2016 Depreciation Expense Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	13 month Average
	Accumulated Depreciation Reserve																
	Additions																
9	Service Lines	380	**2.80%**	-	-	88	125	173	254	423	621	1,956	3,025	4,673	6,043	6,779	
10	Meter Installations	382			-	-	-	-	-	-	-	-	-	-	-	-	
11	Total Additions			-	-	88	125	173	254	423	621	1,956	3,025	4,673	6,043	6,779	
	Retirements																
12	Service Lines	380	**2.80%**	-	-	-	(37)	(39)	(45)	(45)	(45)	(52)	(52)	(53)	(66)	(98)	
13	Meter Installations	382			-	-	-	-	-	-	-	-	-	-	-	-	
14	Total Retirements			-	-	-	(37)	(39)	(45)	(45)	(45)	(52)	(52)	(53)	(66)	(98)	
15	**Total Accumulated Depreciation Reserve**			-	-	88	176	310	519	897	1,473	3,377	6,350	10,970	16,947	23,628	4,980

Notes:
(1) See Form 2.2 for detail of 2017 ASRP eligible additions

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Deferred Taxes on Liberalized Depreciation

Line No.	(A)	(B)	Tax Year 2016 Vintage 2016 (C)
1	Total ASRP Plant Additions		$ 1,130,362.00
	Tax Base In-service subject to :		
2	Bonus Depreciation- 50%		1,130,362
3	MACRS		565,181
	Tax Depreciation		
4	Bonus Depreciation- 50%		565,181
5	MACRS on Balance		21,194
6	Total Tax Depreciation		586,375
7	Book Depreciation		4,980
8	Tax Depreciation in Excess of Book Depreciation		581,395
9	Cost of Removal		4,187
10	Total Difference		$ 585,582
11	Deferred Taxes @	38.47%	225,274
12			

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Thirteen Month Average Additions and Retirements

Test Year 12/31/16 ASRP Investment Summary

Line No.	Month	Number of Months	ASRP Capex By Month	ASRP Capex Cumulative	Retirements By Month	Retirements Cumulative	Cost of Removal By Month	Cost of Removal Cumulative
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Balance @ 12/31/2015	13	-	$ -	$ -	$ -	$ -	$ -
2	Jan-16	12	$ 37,729	37,729	-	-	-	-
3	Feb-16	11	16,027	53,756	(15,895)	(15,895)	-	-
4	Mar-16	10	20,485	74,241	(835)	(16,730)	-	-
5	Apr-16	9	34,739	108,980	(2,556)	(19,286)	2,389	2,389
6	May-16	8	72,395	181,375	(4)	(19,290)	-	2,389
7	Jun-16	7	84,870	266,245	-	(19,290)	2,753	5,142
8	Jul-16	6	571,890	838,135	(3,045)	(22,335)	1,934	7,076
9	Aug-16	5	458,274	1,296,409	-	(22,335)	-	7,076
10	Sep-16	4	706,429	2,002,839	(397)	(22,733)	-	7,076
11	Oct-16	3	587,077	2,589,916	(5,368)	(28,101)	-	7,076
12	Nov-16	2	315,355	2,905,271	(13,766)	(41,867)	330	7,406
13	Dec-16	1	1,434,533	4,339,804	(6,339)	(48,206)	1,392	8,798
				14,694,701		(276,067)		54,428
14	Number of months			13		13		13
15	13 Month Average			$ 1,130,362		$ (21,236)		$ 4,187

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
O&M - Reconnaissance

Test Year 12/31/16 Reconnaissance O&M

Line No.	Month (A)	ASRP O&M 2016 (B)
1	Jan-17	$ -
2	Feb-17	-
3	Mar-17	-
4	Apr-17	-
5	May-17	-
6	Jun-17	-
7	Jul-17	-
8	Aug-17	9,264
9	Sep-17	18,719
10	Oct-17	7,750
11	Nov-17	4,853
12	Dec-17	-
13	Total	$ 40,586

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
O&M Meter Relocation

Test Year 12/31/16 ASRP Meter Relocation O&M

Line No.	Month (A)	ASRP O&M 2016 (B)
1	Jan-17	$ -
2	Feb-17	-
3	Mar-17	172
4	Apr-17	-
5	May-17	345
6	Jun-17	345
7	Jul-17	-
8	Aug-17	517
9	Sep-17	345
10	Oct-17	-
11	Nov-17	-
12	Dec-17	-
13	Total	$ 1,724