

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Application of Duke Energy Kentucky,)	
Inc. for an Adjustment to Rider ASRP)	Case No. 2018-00198
Rates and for Tariff Approval)	

APPLICATION

Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), pursuant to KRS 278.030(1), 278.040(2), 278.509, 807 KAR 5:001, Section 14, and other applicable law, and hereby respectfully requests approval from the Kentucky Public Service Commission (Commission) of its accelerated service line replacement program (ASRP) cost recovery mechanism (Rider ASRP) annual projections, charges, and tariff. In support of this Application, Duke Energy Kentucky respectfully states as follows:

Introduction

1. Duke Energy Kentucky is an investor-owned utility engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky corporation originally incorporated on March 20, 1901, in good standing, and a public utility as that term is defined in KRS 278.010(3), and, therefore, is subject to the Commission's jurisdiction.

3. Pursuant to 807 KAR 5:001, Section 14(1), Duke Energy Kentucky's business address is 139 East Fourth Street, Cincinnati, Ohio 45202. Duke Energy Kentucky's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018.

4. Copies of all orders, pleadings and other communications related to this proceeding should be sent to:

Rocco O. D'Ascenzo
Deputy General Counsel
Duke Energy Kentucky, Inc.
139 E. 4th St., Cincinnati, OH 45202
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5. The Commission approved the Company's ASRP initiative in Case No. 2015-00210 (ASRP Approval Case) on February 2, 2016. In its Order, the Commission ordered Duke Energy Kentucky to file its annual ASRP projections, and include a reconciliation of actual and projected costs, taking into account actual revenue recovered through the surcharge, Rider ASRP.¹ The Company is filing this Application to fulfill its commitment in the ASRP Approval Case.

6. The gas rates that Duke Energy Kentucky seeks to implement beginning January 2019 are reflected in the Company's tariff, Ky.P.S.C. Gas No. 2, Rider ASRP, Accelerated Service Line Replacement Program Rider, Third Revised No. 63, as attached hereto as Exhibit 2.

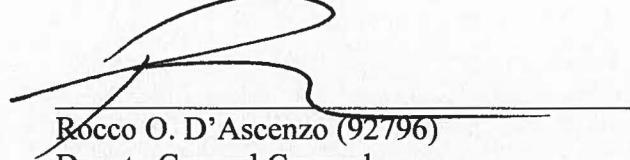
7. Pursuant to the Commission's Order, Duke Energy Kentucky is including its ASRP projections for 2019, and reconciliation of actual and projected costs, taking into account actual revenue recovered through Rider ASRP. This information is attached hereto as Exhibit 1.

¹ *In the Matter of the Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Implementation of an Accelerated Service Line Replacement Program, Approval of Ownership of Service Lines, and a Gas Pipeline Replacement Surcharge, Order, Case No. 2015-00210 (Ky.P.S.C., February 19, 2016).*

8. The tariff, for which Duke Energy Kentucky is seeking approval for, is attached hereto as Exhibit 2.

WHEREFORE, Duke Energy Kentucky respectfully requests that its ASRP Rider annual projections be approved as requested herein.

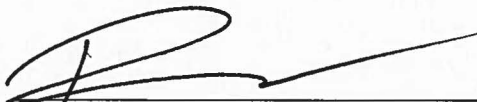
Respectfully submitted,



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CERTIFICATE OF SERVICE

This is to certify that a copy of the foregoing Application of Duke Energy Kentucky, Inc. has been served via electronic mail to the following party on this 2nd day of July 2018.



Rocco O. D'Ascenzo

Rebecca W. Goodman
The Office of the Attorney General
Utility Intervention and Rate Division
700 Capital Ave., Ste 20
Frankfort, Kentucky 40601
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Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Forecasted Period Ending December 31, 2019
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Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
ASRP Rider by Rate Schedule

<u>Line No.</u>	<u>Rate Schedule</u>	(A)	<u>Weighted Customers- Services Approved PSC Case No. 2009-202</u>	<u>2019 Projected Revenue Requirement</u>	<u>2017 True Up Revenue Requirement</u>	<u>Total</u>	<u>Billing Determinants # of Bills / CCF</u>	<u>Monthly ASRP Rider</u>
			(B)	(C)	(D)	(E)	(F)	(G)
1	RS- Residential		92.301%	\$ 3,142,344	\$ 405,837	\$ 3,548,181	1,100,901	\$ 3.22 Per Customer
2	GS - General Service		6.969%	237,256	30,642	267,898	83,364	\$ 3.21 Per Customer
3	FT - Firm Transportation (Includes DGS)		0.454%	15,456	1,996	17,452	22,514,030	\$ 0.00078 Per CCF
4	IT - Interruptible Transportation		0.276%	9,396	1,214	10,610	15,850,310	\$ 0.00067 Per CCF
5	Total		100.000%	\$ 3,404,453	\$ 439,690	\$ 3,844,143		

Residential charge per customer is under the \$4 cap for calendar year 2019

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
Forecasted ASRP Revenue Requirement for 2019

<u>Line No.</u>	(A)	<u>ASRP Investment</u> <u>December 31, 2019</u>	<u>Reference</u>
		(B)	(C)
Return on Investment			
<u>Rate Base</u>			
1	Net ASRP Investment - Property, Plant and Equipment	\$ 28,673,050	Form 2.2
2	Cost of Removal	694,968	Form 2.2
3	Accumulated Reserve for Depreciation	(1,031,731)	Form 2.0
4	Net PP&E	<u>28,336,287</u>	
5	Accumulated Deferred Income Taxes/Excess Deferred Income Taxes	(4,249,546)	Form 2.1
6	Net Rate Base	<u>24,086,741</u>	Line 4 + Line 5
7	Authorized Rate of Return, Adjusted for Income Taxes	8.667%	Form 1.2
8	Required Return on ASRP Related Investment	<u>\$ 2,087,574</u>	Line 6 * Line 7
<u>Operating Expenses</u>			
9	Depreciation	\$ 792,179	Form 2.0
10	Property Tax	404,359	Line 4 * 1.427%
11	O&M related to reconnaissance fees	113,532	Form 2.3
12	O&M related to relocation of meters	-	Form 2.4
13	PSC Assessment	6,809	(Sum Line 8 thru 12) * (0.2000% / (1-0.2000%))
14	Total Operating Expenses	<u>1,316,879</u>	Sum Lines 9 thru 13
15	<u>Total Annual Revenue Requirement</u>	<u>\$ 3,404,453</u>	Line 8 + Line 14

Notes:

- (1) Property taxes estimated using an effective rate of 1.427%
(2) PSC Assessment using Fiscal Year 2017 rate of 0.2000%

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

<u>Line No.</u>	<u>Capital Structure</u> (A)	<u>Ratio</u> (B)	<u>Cost</u> (C)	<u>Weighted</u> <u>Cost</u> (D)	<u>Pre-Tax @ Effect.</u> <u>Tax Rate of 24.925%</u> (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%	6.560%
4	Total	100.000%		7.034%	8.667%

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)	EQY 2018 (D)	Projected 2019 Additions												EQY 2019 (Q)
					Jan (E)	Feb (F)	Mar (G)	Apr (H)	May (I)	Jun (J)	Jul (K)	Aug (L)	Sep (M)	Oct (N)	Nov (O)	Dec (P)	
Gas Plant Investments ⁽¹⁾																	
Additions																	
1	Service Lines	380		\$ 27,697,104	\$ 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	\$ 37,697,104
2	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Total Additions			\$ 27,697,104	\$ 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	\$ 37,697,104
Retirements																	
4	Service Lines	380		\$ (2,211,089)	\$ (22,413)	\$ (44,826)	\$ (44,826)	\$ (134,478)	\$ (134,478)	\$ (224,130)	\$ (358,608)	\$ (381,021)	\$ (381,021)	\$ (336,195)	\$ (134,478)	\$ (44,826)	\$ (4,452,389)
5	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Retirements			\$ (2,211,089)	\$ (22,413)	\$ (44,826)	\$ (44,826)	\$ (134,478)	\$ (134,478)	\$ (224,130)	\$ (358,608)	\$ (381,021)	\$ (381,021)	\$ (336,195)	\$ (134,478)	\$ (44,826)	\$ (4,452,389)
Cost of Removal																	
7	Service Lines	380		\$ 303,988	\$ 416,512	\$ 430,408	\$ 444,304	\$ 485,992	\$ 527,681	\$ 597,161	\$ 708,329	\$ 826,446	\$ 944,562	\$ 1,048,783	\$ 1,090,471	\$ 1,104,367	\$ 8,929,004
8	Total Cost of removal			\$ 303,988	\$ 416,512	\$ 430,408	\$ 444,304	\$ 485,992	\$ 527,681	\$ 597,161	\$ 708,329	\$ 826,446	\$ 944,562	\$ 1,048,783	\$ 1,090,471	\$ 1,104,367	\$ 8,929,004
Accumulated Depreciation Reserve																	
				Annual Depreciation Rate	Projected 2019 Depreciation Expense												13 month Average
				EQY 2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Additions																	
9	Service Lines	380	2.80%	\$ 703,485	\$ 64,627	\$ 64,860	\$ 65,327	\$ 65,793	\$ 67,193	\$ 68,593	\$ 70,927	\$ 74,660	\$ 78,627	\$ 82,593	\$ 86,093	\$ 87,493	
10	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Additions			\$ 703,485	\$ 64,627	\$ 64,860	\$ 65,327	\$ 65,793	\$ 67,193	\$ 68,593	\$ 70,927	\$ 74,660	\$ 78,627	\$ 82,593	\$ 86,093	\$ 87,493	
Retirements																	
12	Service Lines	380	2.80%	\$ (48,375)	\$ (5,159)	\$ (5,212)	\$ (5,316)	\$ (5,421)	\$ (5,734)	\$ (6,048)	\$ (6,571)	\$ (7,408)	\$ (8,297)	\$ (9,186)	\$ (9,971)	\$ (10,284)	
13	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Total Retirements			\$ (48,375)	\$ (5,159)	\$ (5,212)	\$ (5,316)	\$ (5,421)	\$ (5,734)	\$ (6,048)	\$ (6,571)	\$ (7,408)	\$ (8,297)	\$ (9,186)	\$ (9,971)	\$ (10,284)	
15	Total Accumulated Depreciation Reserve			\$ 655,110	\$ 714,578	\$ 774,226	\$ 834,237	\$ 894,609	\$ 956,068	\$ 1,018,613	\$ 1,082,969	\$ 1,150,221	\$ 1,220,551	\$ 1,293,958	\$ 1,370,080	\$ 1,447,289	\$ 1,031,731

Notes:
(1) See Form 2.2 for detail of 2018 ASRP eligible additions

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

Test Year 12/31/19 ASRP Investment Summary

Line No.	Month (A)	Number of Months (B)	ASRP Capex		Retirements		Cost of Removal	
			By Month (C)	Cumulative (D)	By Month (E)	Cumulative (F)	By Month (G)	Cumulative (H)
1	Balance @ 12/31/2018	13		\$ 27,697,104		\$ (2,211,089)		\$ 409,564
2	Jan-19	12	\$ 100,000	27,797,104	\$ (22,413)	(2,233,502)	6,948	416,512
3	Feb-19	11	200,000	27,997,104	(44,826)	(2,278,328)	13,896	430,408
4	Mar-19	10	200,000	28,197,104	(44,826)	(2,323,154)	13,896	444,304
5	Apr-19	9	600,000	28,797,104	(134,478)	(2,457,632)	41,688	485,992
6	May-19	8	600,000	29,397,104	(134,478)	(2,592,110)	41,688	527,681
7	Jun-19	7	1,000,000	30,397,104	(224,130)	(2,816,240)	69,480	597,161
8	Jul-19	6	1,600,000	31,997,104	(358,608)	(3,174,848)	111,168	708,329
9	Aug-19	5	1,700,000	33,697,104	(381,021)	(3,555,869)	118,117	826,446
10	Sep-19	4	1,700,000	35,397,104	(381,021)	(3,936,890)	118,117	944,562
11	Oct-19	3	1,500,000	36,897,104	(336,195)	(4,273,085)	104,220	1,048,783
12	Nov-19	2	600,000	37,497,104	(134,478)	(4,407,563)	41,688	1,090,471
13	Dec-19	1	200,000	37,697,104	(44,826)	(4,452,389)	13,896	1,104,367
				413,462,352		(40,712,699)		9,034,580
14	Number of months			13		13		13
15	13 Month Average		\$	31,804,796	\$	(3,131,746)	\$	694,968

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

Test Year 12/31/19 Reconnaissance O&M

<u>Line No.</u>	<u>Month</u> <u>(A)</u>	<u>ASRP O&M 2019</u> <u>(B)</u>
1	Jan-19	\$ 4,541
2	Feb-19	4,541
3	Mar-19	11,353
4	Apr-19	11,353
5	May-19	13,624
6	Jun-19	22,706
7	Jul-19	28,383
8	Aug-19	11,353
9	Sep-19	5,677
10	Oct-19	
11	Nov-19	
12	Dec-19	
13	Total	<u>\$ 113,532</u>

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

Test Year 12/31/19 ASRP Meter Relocation O&M

<u>Line No.</u>	<u>Month</u> <u>(A)</u>	<u>ASRP O&M 2019</u> <u>(B)</u>
1	Jan-19	\$ -
2	Feb-19	-
3	Mar-19	-
4	Apr-19	-
5	May-19	-
6	Jun-19	-
7	Jul-19	-
8	Aug-19	-
9	Sep-19	-
10	Oct-19	-
11	Nov-19	-
12	Dec-19	-
13	Total	<hr/> \$ -

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, 2018

<u>Line No.</u>	<u>Rate Schedule</u> (A)	<u>May-17</u> (B)	<u>Jun-17</u> (C)	<u>Jul-17</u> (D)	<u>Aug-17</u> (E)	<u>Sep-17</u> (F)	<u>Oct-17</u> (G)	<u>Nov-17</u> (H)	<u>Dec-17</u> (I)	<u>Jan-18</u> (J)	<u>Feb-18</u> (K)	<u>Mar-18</u> (L)	<u>Apr-18</u> (M)	<u>Total</u> (N)
1	RS- Residential (Number of Customers)	91,459	91,333	90,983	90,848	90,731	91,107	91,660	92,302	92,634	92,706	92,559	92,579	1,100,901
2	GS - General Service (Number of Customers)	6,908	6,826	6,750	6,736	6,704	6,756	6,961	7,101	7,148	7,175	7,184	7,115	83,364
3	FT - Firm Transportation (CCF)	1,501,140	1,445,250	1,281,230	1,131,370	1,324,240	1,263,070	1,542,200	2,096,660	2,727,180	3,083,060	2,456,190	2,662,440	22,514,030
4	IT - Interruptible Transportation (CCF)	1,152,930	1,265,600	1,306,260	1,246,780	1,332,640	1,120,020	1,426,800	1,407,960	1,430,880	1,518,030	1,250,740	1,391,670	15,850,310

Duke Energy Kentucky
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")
ASRP Revenue Requirement for 2017

<u>Line No.</u>	(A)	<u>ASRP Investment</u> <u>December 31, 2017</u>	<u>Reference</u>
		(B)	(C)
Return on Investment			
<u>Rate Base</u>			
1	Net ASRP Investment - Property, Plant and Equipment	\$ 9,200,219	Form 4.5
2	Cost of Removal	74,973	Form 4.5
3	Accumulated Reserve for Depreciation	(113,066)	Form 4.3
4	Net PP&E	9,162,126	
5	Accumulated Deferred Income Taxes/Excess Deferred Income Taxes	(2,120,443)	Form 4.4
6	Net Rate Base	7,041,683	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	\$ 712,400	Line 6 * Line 7
<u>Operating Expenses</u>			
9	Depreciation	\$ 240,124	Form 4.3
10	Property Tax	111,778	Line 4 * 1.220%
11	O&M related to reconnaissance fees	304,479	Form 4.6
12	O&M related to relocation of meters	-	Form 4.7
13	PSC Assessment	2,662	(Sum Line 8 thru 12) * (0.1941% / (1-0.1941%))
14	Total Operating Expenses	659,043	Sum Lines 9 thru 11
15	<u>Total Annual Revenue Requirement</u>	\$ 1,371,443	Line 8 + Line 12
	Collections/(Refunds) for prior years	0	
	Adjusted Revenue Requirement	\$ 1,371,443	
	2017 Billed Revenues	931,753	
	Total (Over)/Under Collections	\$ 439,690	

Notes:

- (1) Property taxes estimated using an effective rate of 1.220%
(2) PSC Assessment using Fiscal Year 2017 rate of 0.1941%

Duke Energy Kentucky
ASRP Rider by Rate Schedule
Cost of Capital

<u>Line No.</u>	<u>Capital Structure</u> (A)	<u>Ratio</u> (B)	<u>Cost</u> (C)	<u>Weighted</u> <u>Cost</u> (D)	<u>Pre-Tax @ Effect.</u> <u>Tax Rate of 38.47%</u> (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)	EQY 2016 (D)	Actual 2017 Additions												EQY 2017 (Q)
					Jan (E)	Feb (F)	Mar (G)	Apr (H)	May (I)	Jun (J)	Jul (K)	Aug (L)	Sep (M)	Oct (N)	Nov (O)	Dec (P)	
Gas Plant Investments ⁽¹⁾																	
Additions																	
1	Service Lines	380		\$ 4,339,804	\$ 376,374	\$ 119,001	\$ 70,958	\$ 113,289	\$ 125,249	\$ 97,089	\$ 7,304,392	\$ 575,930	\$ 732,786	\$ 1,407,954	\$ 1,547,882	\$ 886,397	\$ 17,697,104
2	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Total Additions			\$ 4,339,804	\$ 376,374	\$ 119,001	\$ 70,958	\$ 113,289	\$ 125,249	\$ 97,089	\$ 7,304,392	\$ 575,930	\$ 732,786	\$ 1,407,954	\$ 1,547,882	\$ 886,397	\$ 17,697,104
Retirements																	
4	Service Lines	380		\$ (48,206)	\$ -	\$ (3,993)	\$ (3,790)	\$ -	\$ (83,111)	\$ (48,933)	\$ (22,079)	\$ (85,326)	\$ (79,222)	\$ (64,685)	\$ (542,342)	\$ (23,423)	\$ (1,005,110)
5	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Retirements			\$ (48,206)	\$ -	\$ (3,993)	\$ (3,790)	\$ -	\$ (83,111)	\$ (48,933)	\$ (22,079)	\$ (85,326)	\$ (79,222)	\$ (64,685)	\$ (542,342)	\$ (23,423)	\$ (1,005,110)
Cost of Removal																	
7	Service Lines	380		\$ 8,798	\$ 686	\$ 2,355	\$ 1,604	\$ -	\$ -	\$ -	\$ -	\$ 43,849	\$ 36,522	\$ 74,217	\$ 86,163	\$ 49,795	\$ 303,988
8	Total Cost of removal			\$ 8,798	\$ 686	\$ 2,355	\$ 1,604	\$ -	\$ -	\$ -	\$ -	\$ 43,849	\$ 36,522	\$ 74,217	\$ 86,163	\$ 49,795	\$ 303,988
Accumulated Depreciation Reserve																	
				Annual Depreciation Rate	Actual 2017 Depreciation Expense												13 month Average
				EQY 2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Additions																	
9	Service Lines	380	2.80%	\$ 24,160	\$ 10,126	\$ 11,004	\$ 11,282	\$ 11,448	\$ 11,712	\$ 12,004	\$ 12,231	\$ 29,274	\$ 30,618	\$ 32,328	\$ 35,613	\$ 39,225	
10	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Additions			\$ 24,160	\$ 10,126	\$ 11,004	\$ 11,282	\$ 11,448	\$ 11,712	\$ 12,004	\$ 12,231	\$ 29,274	\$ 30,618	\$ 32,328	\$ 35,613	\$ 39,225	
Retirements																	
12	Service Lines	380	2.80%	\$ (532)	\$ (112)	\$ (112)	\$ (122)	\$ (131)	\$ (131)	\$ (325)	\$ (439)	\$ (490)	\$ (689)	\$ (874)	\$ (1,025)	\$ (2,291)	
13	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Total Retirements			\$ (532)	\$ (112)	\$ (112)	\$ (122)	\$ (131)	\$ (131)	\$ (325)	\$ (439)	\$ (490)	\$ (689)	\$ (874)	\$ (1,025)	\$ (2,291)	
15	Total Accumulated Depreciation Reserve			\$ 23,628	\$ 33,642	\$ 44,534	\$ 55,694	\$ 67,011	\$ 78,592	\$ 90,271	\$ 102,063	\$ 130,847	\$ 160,776	\$ 192,230	\$ 226,818	\$ 263,752	\$ 113,066

Notes:
(1) See Form 2.2 for detail of 2018 ASRP eligible additions

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

<u>Line No.</u>	(A)	(B)	Tax Year 2016	Tax Year 2017		
			Vintage 2016 (C)	2016 (D)	Vintage 2017 (E)	TOTAL (F)
1	Total ASRP Plant Additions		\$ 1,130,362	\$ 1,130,362	\$ 9,499,763	\$ 10,630,125
	Tax Base In-service subject to :					
2	Bonus Depreciation- 50%		1,130,362	1,130,362	9,499,763	10,630,125
3	MACRS		<u>565,181</u>	<u>565,181</u>	<u>4,749,882</u>	<u>5,315,063</u>
	Tax Depreciation					
4	Bonus Depreciation- 50%		565,181	0	4,749,882	4,749,882
5	MACRS on Balance		<u>21,194</u>	<u>40,800</u>	<u>178,121</u>	<u>218,921</u>
6	Total Tax Depreciation		<u>586,375</u>	<u>40,800</u>	<u>4,928,003</u>	<u>4,968,803</u>
7	Book Depreciation		4,980	4,980	113,066	240,124
8	Tax Depreciation in Excess of Book Depreciation		581,395	35,820	4,814,937	4,850,757
9	Cost of Removal		<u>4,187</u>	0	74,973	74,973
10	Total Difference		<u>\$ 585,582</u>	<u>\$ 35,820</u>	<u>\$ 4,889,910</u>	<u>\$ 4,925,730</u>
11	Deferred Taxes @	24.93%	145,957	8,928	1,218,816	1,227,744
12	Excess Deferred Income Taxes (EDIT)	13.55%	<u>79,342</u>	<u>4,853</u>	<u>662,547</u>	<u>667,400</u>
			<u>225,299</u>	<u>13,781</u>	<u>1,881,363</u>	<u>1,895,144</u>
13	Accumlated Deferred Income Tax					<u>\$ 1,373,701</u>
14	Excess Deferred Income Taxes (EDIT)					<u>\$ 746,742</u>

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

Test Year 12/31/17 ASRP Investment Summary

Line No.	Month (A)	Number of Months (B)	ASRP Capex		Retirements		Cost of Removal	
			By Month (C)	Cumulative (D)	By Month (E)	Cumulative (F)	By Month (G)	Cumulative (H)
1	Balance @ 12/31/2016	13	\$ 4,339,804	\$ 4,339,804	\$ (48,206)	\$ (48,206)	\$ 8,798	\$ 8,798
2	Jan-17	12	376,374	4,716,178		(48,206)	686	9,484
3	Feb-17	11	119,001	4,835,179	(3,993)	(52,199)	2,355	11,838
4	Mar-17	10	70,958	4,906,137	(3,790)	(55,989)	1,604	13,443
5	Apr-17	9	113,289	5,019,426	-	(55,989)		13,443
6	May-17	8	125,249	5,144,675	(83,111)	(139,100)		13,443
7	Jun-17	7	97,089	5,241,764	(48,933)	(188,032)		13,443
8	Jul-17	6	7,304,392	12,546,156	(22,079)	(210,112)		13,443
9	Aug-17	5	575,930	13,122,086	(85,326)	(295,437)	43,849	57,292
10	Sep-17	4	732,786	13,854,872	(79,222)	(374,659)	36,522	93,813
11	Oct-17	3	1,407,954	15,262,826	(64,685)	(439,345)	74,217	168,031
12	Nov-17	2	1,547,882	16,810,708	(542,342)	(981,687)	86,163	254,194
13	Dec-17	1	886,397	17,697,104	(23,423)	(1,005,110)	49,795	303,988
				123,496,915		(3,894,070)		974,651
14	Number of months			13		13		13
15	13 Month Average		\$	9,499,763	\$	(299,544)	\$	74,973

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

Test Year 12/31/17 Reconnaissance O&M

<u>Line No.</u>	<u>Month</u> <u>(A)</u>	<u>ASRP O&M 2017</u> <u>(B)</u>
1	Jan-17	\$ 15,125
2	Feb-17	7,663
3	Mar-17	5,817
4	Apr-17	2,479
5	May-17	1,236
6	Jun-17	960
7	Jul-17	271,200
8	Aug-17	
9	Sep-17	
10	Oct-17	
11	Nov-17	
12	Dec-17	
13	Total	<hr/> \$ 304,479

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

Test Year 12/31/17 ASRP Meter Relocation O&M

<u>Line No.</u>	<u>Month</u> (A)	<u>ASRP O&M 2017</u> (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	Sep-17	-
10	Oct-17	-
11	Nov-17	-
12	Dec-17	-
13	Total	<hr/> \$ -

Duke Energy Kentucky, Inc.
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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.

Issued by authority of an Order of the Kentucky Public Service
Commission dated _____ in Case No. 2018-00198

Issued: _____

Effective: January 2, 2019

Issued by Amy B. Spiller, President /s/ Amy B. Spiller

Duke Energy Kentucky, Inc.
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Erlanger, Kentucky 41018

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ACCELERATED SERVICE REPLACEMENT PROGRAM FACTORS (Contd.)

The charges for the respective gas service schedules for the revenue month beginning January 2019 is:

Rate RS, Residential Service	\$3.22/month	(T)
Rate GS, General Service	\$3.21/month	(I)
Rate DGS, Distributed Generation Service	\$0.00078/CCF	(I)
Rate FT-L, Firm Transportation Service – Large	\$0.00078/CCF	(I)
Rate IT, Interruptible Transportation Service	\$0.00067/CCF	(I)
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.00067/CCF	(I)

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