KYPSC CASE NO. 2018-00261
AG 1ST SUPPLEMENTAL SET DATA REQUESTS
TABLE OF CONTENTS

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 data requests and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Don Wathen

William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen Jr., on this 20th day of November, 2018.

E. Minna Rolfes

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

VERIFICATION

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

The undersigned, Sarah E. Lawler, Director Rates & Regulatory Planning, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

S. E. L.
Sarah E. Lawler Affiant

Subscribed and sworn to before me by Sarah E. Lawler on this 9th day of November, 2018.

E. Minna Rolfes-Adkins
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

VERIFICATION

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

The undersigned, Michael Covington, Director, Gas Utilities & Infrastructure Accounting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein true and correct to the best of his knowledge, information and belief.

Michael Covington

Michael Covington., Affiant

Subscribed and sworn to before me by Michael Covington on this 12 day of November 2018.

Janet P. Cureton

NOTARY PUBLIC

My Commission Expires: March 1, 2020

JANET P CURETON
NOTARY PUBLIC
Mecklenburg County
State of North Carolina

VERIFICATION

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

The undersigned, Gary J. Hebbeler, Vice President Gas Operations, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Gary J. Hebbeler, Affiant

Subscribed and sworn to before me by Gary J. Hebbeler on this 20th day of Nov., 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

VERIFICATION

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

The undersigned, Renee Metzler, Managing Director – Retirement and Health and Welfare, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therin are true and correct to the best of her knowledge, information and belief.

Renee Metzler Affiant

Subscribed and sworn to before me by Renee Metzler on this 13th day of November, 2018.

NOTARY PUBLIC

My Commission Expires: 9-17-2023

FELICIA SUEANN RUTTY
NOTARY
PUBLIC
MECKLENBURG COUNTY, NC

VERIFICATION

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

The undersigned, Robert H. "Beau" Pratt., Director, Regional Financial Forecasting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Robert H. Pratt
Robert H. "Beau" Pratt Affiant

Subscribed and sworn to before me by Robert H. "Beau" Pratt on this 9 day of November 2018.

VIRGINIA M. ADAMS NOTARY PUBLIC MECKLENBURG COUNTY, NC EXP. 10/02/2021

Virginia M. Adams
NOTARY PUBLIC

My Commission Expires:
Oct. 2, 2021

VERIFICATION

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

The undersigned, Cynthia S. Lee, Director, Asset Accounting, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

Cynthia S. Lee

Cynthia S. Lee Affiant

Subscribed and sworn to before me by Cynthia S. Lee on this 9 day of Nov., 2018.

VIRGINIA M. ADAMS NOTARY PUBLIC MECKLENBURG COUNTY, NC Exp. 10/02/2021

Virgini M. Adams

NOTARY PUBLIC

My Commission Expires: 10/2/21

VERIFICATION

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF CUMBERLAND)

The undersigned, John J. Spanos, Senior Vice President, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

John J Spanos

John J. Spanos Affiant

Subscribed and sworn to before me by John J. Spanos on this 9th day of November, 2018.

NOTARY PUBLIC

My Commission Expires: February 20, 2019

COMMONWEALTH OF PENNSYLVANIA
NOTARIAL SEAL
Cheryl Ann Rutter, Notary Public
East Pennsboro Twp., Cumberland County
My Commission Expires Feb. 20, 2019
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

VERIFICATION

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

The undersigned, Jeffrey R. Setser, Director of Allocations and Reporting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information, and belief.

Jeffrey R. Setser

Jeffrey R. Setser Affiant

Subscribed and sworn to before me by Jeffrey R. Setser on this 14 day of November 2018.

VIRGINIA M. ADAMS
NOTARY
PUBLIC
Exp. 10/02/2021
MECKLENBURG COUNTY, NC

Virginia M. Adams

NOTARY PUBLIC

My Commission Expires: 10/2/21

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-001

REQUEST:

Refer to the response to Staff 2-7(b) related to the high ROE in 2017 resulting in part from a high one-time tax adjustment in December 2017. Describe the referenced one-time tax adjustment, providing backup documentation supporting it, in detail and provide the accounting entries used to record the adjustment by FERC account.

RESPONSE:

The one-time tax adjustment was the excess accumulated deferred income taxes related to 12/31/2017 ADITs associated with the transfer of electric generating station assets in Case No. 2003-00252. The ADITs associated with the transfer of electric generating station assets were granted below the line (non-jurisdictional) treatment in the December 5, 2003 order in Case No. 2003-252. The excess ADIT for the non-jurisdictional generating station assets was $21,275,740 and recorded to FERC account 411. See FIRST SUPPLEMENTAL AG-DR-01-001 Attachment for the journal entry.

PERSON RESPONSIBLE: William Don Wathen Jr.

Report ID: PPSFGL05

PeopleSoft Financials

JOURNAL ENTRY DETAIL REPORT

Page No. 1
Run Date: 11/13/2018
Run Time: 12:39:18 PM

Unit:	75080	Ledger Group:	ACTUALS	Foreign Currency:	USD
Journal ID:	CONSJE75	Source:	ICT	Rate Type:	
Date:	12/31/2017	Reversal:	N	Effective Date:	12/31/2017
Description:		Reversal Date:		Exchange Rate:	1.00

Line # / Line #	Unit / Process	Account / Product	Res Type / Project	Operat Unit / Analysis Type	Resp Ctr	Location / Activity	Alloc Pool / Affiliate	Stat	Statistics Amt	Rate Type	Rate	Foreign Amount	Base Amount

ACTUALS

Line #	Unit	Account								Rate Type	Rate	Foreign Amount	Base Amount
1 1	75080	0182320								CRRNT	1.00000000	-1,956,540.00 USD	-1,956,540.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
2 2	75080	0190001								CRRNT	1.00000000	10,473,247.00 USD	10,473,247.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
3 3	75080	0254036								CRRNT	1.00000000	-86,054,558.00 USD	-86,054,558.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
4 4	75080	0254100								CRRNT	1.00000000	51,704.00 USD	51,704.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
5 5	75080	0282100								CRRNT	1.00000000	87,710,877.00 USD	87,710,877.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
6 6	75080	0283100								CRRNT	1.00000000	11,003,519.00 USD	11,003,519.00 USD
Description:	To record impacts related to				Reference:			Open Item Key:					
7	75080	0411240								CRRNT	1.00000000	-21,275,740.00 USD	-21,275,740.00 USD

Report ID: PPSFGL05	PeopleSoft Financials JOURNAL ENTRY DETAIL REPORT	Page No. 2 Run Date: 11/13/2018 Run Time: 12:39:18 PM

Unit:	75080	Ledger Group:	ACTUALS	Foreign Currency:	USD
Journal ID:	CONSJE75	Source:	ICT	Rate Type:	
Date:	12/31/2017	Reversal:	N	Effective Date:	12/31/2017
Description:		Reversal Date:		Exchange Rate:	1.00

Line # / Line #	Unit / Process	Account / Product	Res Type / Project	Operat Unit / Analysis Type	Resp Ctr	Location / Activity	Alloc Pool / Affiliate	Stat	Statistics Amt	Rate Type	Rate	Foreign Amount	Base Amount
7													
Description: To record impacts related to						Reference:			Open Item Key:				
8 8	75080	0190002								CRRNT	1.00000000	4,856,859.00 USD	4,856,859.00 USD
Description: To record impacts related to						Reference:			Open Item Key:				
9 9	75080	0254988								CRRNT	1.00000000	-4,809,368.00 USD	-4,809,368.00 USD
Description: To record impacts related to						Reference:			Open Item Key:				

Business Unit	Journal Status	Total Lines	Total Base Debits	Total Base Credits
75080	P	9	114,096,206.00	114,096,206.00

End of Report

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-002

REQUEST:

Refer to Attachment 2 of the response to Staff 2-9 related to the breakdown of Distribution expenses for the Base Period and the Forecast Period (excluding proforma adjustments) by FERC account. Refer also to the proforma adjustments for Distribution Expenses reflected on Schedule C-2 and WPC-2e. Expand the response to Attachment 2 of the response to Staff 2-9 to reflect the actual costs incurred per FERC account for the calendar years 2015, 2016, and 2017 and to include the proforma adjustments to the Forecast Period.

RESPONSE:

The information requested by the Attorney General is available in STAFF-DR-01-030(b) Attachment, WPD-2.19b, WPD-2.19d, and WPD-2.20a.

PERSON RESPONSIBLE: Sarah E. Lawler

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-003

REQUEST:

Refer to the response to Staff 2-28 (a). For each of the expenses that are reflected in the response, provide the amounts in the months in which the costs were originally incurred and the amounts and months in which the cost deferrals were made.

RESPONSE:

Fiscal Year	Accounting Period	Amount Incurred	Amount Deferred
2016	1	1,156.00	-
	2	1,189.76	-
	3	2,942.42	-
	4	1,266.57	-
	5	19,812.14	-
	6	240,845.33	-
	7	58,617.43	276,457.54
	8	128,822.47	175,697.29
	9	357,101.68	359,598.97
	10	589,085.64	537,322.96
	11	72,076.61	114,712.29
	12	699,278.71	708,405.71
2016 Total		2,172,194.76	2,172,194.76
2017	1	14,217.00	-
	2	(26,122.69)	-
	3	1,503.95	-
	4	1,953.08	206,589.43
	5	2,633.16	(191,669.24)
	6	80,843.73	-
	7	519,811.85	-
	8	25,998.86	605,918.75
	9	3,060.25	3,060.25
	10	62,353.02	62,353.02
	11	-	-
	12	28,667.98	28,667.98
2017 Total		714,920.19	714,920.19
Grand Total		2,887,114.95	2,887,114.95

PERSON RESPONSIBLE: Michael Covington

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-004

REQUEST:

Refer to Schedule D-2.20 that reflects the proforma adjustment to add $1,065,488 in integrity management expenses not already included in the budget. Refer also to the response to AG 1-50. Describe the source(s) of the additional costs determined, describe all reasons why these costs were not included in the budget, and explain all reasons why they were considered to be additional incremental expenses in excess of budgeted amounts.

RESPONSE:

Please see response to STAFF-DR-03-012 for an explanation of how the amounts were determined for each integrity management initiative. As stated in response to AG-DR-01-050, the costs were not included in the budget because they were identified after the hudget had been established. For that reason, they are incremental expenses in excess of budgeted amounts.

PERSON RESPONSIBLE: Sarah E. Lawler
Gary J. Hebbeler

FIRST SUPPLEMENTAL AG-DR-01-005

REQUEST:

Refer to the response to AG 1-55 which shows the split of payroll costs between expense, capital, and other deferred.

a. Provide the information in the same format for calendar years 2015 and 2016.

b. Explain all known reasons why the other deferred amount projected for the test year is only $445,320 compared to $1,872,453 in 2017 and $1,305,089 in the base year. If the 2017 and base year costs were extraordinarily high, describe all known reasons why.

c. If certain deferred payroll costs are not projected to be as high in the test year as in previous years, explain why.

RESPONSE:

a.

DE Kentucky - Gas Operations

Payroll Labor Costs	Expense	Capital	Other Deferred	Total
Calendar year 2016	$6,908,937	$4,067,842	$1,505,244	$12,482,023
Calendar year 2015	$6,819,495	$2,613,177	$684,193	$10,116,865

b. Other Deferred cannot be analyzed by itself, as it is a clearing house for costs allocated to O&M and Capital. The three categories of costs – O&M, Capital, and Other Deferred – must be looked at in total for the true picture of costs. The lower test period costs in Other Deferred indicate more direct charging to O&M and Capital versus allocating costs through the Other Deferred accounts during the budgeting process.

c. See response to b.

PERSON RESPONSIBLE: Renee H. Metzler

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-006

REQUEST:

Refer to the response to AG 1-6 related to the projected debt rates of 4.62% and 4.60% for the projected December 2018 and September 2019, respectively, debt issuances compared to the debt rates of 4.01% and 4.18% for the recent October 2018 issuances. Explain all reasons why the projected debt rates should be so much higher than the debt rates for the recent October 2018 issuances.

RESPONSE:

On September 20th, Duke Energy Kentucky priced a $100 million private placement debt issuance split into three tranches: $25 million, 5-year fixed rate notes at 4.01%; $40 million, 10-year fixed rate notes at 4.18%; and $35 million, 30 year fixed rate notes at 4.62%. The 5-year and 10-year tranches closed and funded on October 3rd. The 4.62%, 30-year tranche will close and fund on December 12th. On the day of pricing the 5, 10, and 30 year treasury yields were 2.96%, 3.08%, and 3.22%, respectively. Duke Energy Kentucky's credit spreads across the 5, 10, and 30 year tranches were 105 basis points, 110 basis points, and 140 basis points, respectively. The December 2018 issuance, already priced but not yet closed, is a function of the higher treasury yield and Duke Energy Kentucky's credit spread for a 30-year issuance versus a 5-year or 10-year offering.

The interest rate on the planned September 2019 debt issuance was estimated using a blended average of Bloomberg's forward curves for the 10-year and 30-year US Treasury yield plus an estimated credit spread for a future debt issuance. In May 2018, forward treasury rates reflected 2.92% for the 10-year and 3.06% for the 30-year. Since there is no forward curve for credit spreads, we used the then-current credit spreads for Duke Energy Kentucky, including a 25 basis point forward component. This resulted in estimated forward credit spreads of 145 basis points for the 10-year and 165 basis points for the 30-year. Adding the forward treasury rates and credit spreads amounted to rates of 4.37% on the 10-year and 4.71% on the 30-year. Blending those forward rates together with a two-thirds weight given to the 30-year tranche resulted in a forecasted rate of 4.60%.

PERSON RESPONSIBLE: Robert H. "Beau" Pratt

FIRST SUPPLEMENTAL AG-DR-01-007

REQUEST:

Refer to Schedule B-3.2, page 2 of 4, line 24 related to the 2.24% depreciation rate associated with Completed Construction Not Classified. Provide an explanation how that rate was determined and provide the calculation with all formulas intact and cells unprotected used to determine the rate.

RESPONSE:

The balance in Completed Construction Not Classified ("CCNC") was not forecasted at the utility account level. As such, the average Distribution depreciation rate per the proposed Depreciation Study was applied to the Distribution CCNC balance within Schedule B-3.2.

PERSON RESPONSIBLE: Cynthia S. Lee

FIRST SUPPLEMENTAL AG-DR-01-008

REQUEST:

Refer to the attachment in response to AG 1-29 and the additions to Mains-Steel of $22.123 million in May 2018 on line 5 for the Distribution Plant assets. Confirm that this was the amount actually closed to plant in May 2018 and explain why such a large amount was closed to plant in this one month compared to the months in 2018 previous to May.

RESPONSE:

Yes, actual plant additions for Mains – Steel in May 2018 were $22.123 million. The main driver of this activity was $22.092 million of additions related to the Big Bone pipeline. The Big Bone pipeline is a new twelve-inch pipeline that spans approximately 9.5 miles from Walton to Big Bone, Kentucky.

PERSON RESPONSIBLE: Cynthia S. Lee

FIRST SUPPLEMENTAL AG-DR-01-009

REQUEST:

Refer to the attachment in response to AG 1-29. Provide similar information in the same format separately for each plant account for each actual month during 2018 through the most recent month with actual information.

RESPONSE:

See FIRST SUPPLEMENTAL AG-DR-01-009 Attachment. Information is presented for each month through September 2018.

PERSON RESPONSIBLE: Cynthia S. Lee

KYPSC CASE NO. 2018-00261

AG-DR-01-009 SUPP ATTACHMENT IS BEING ELECTRONICALLY FILED AND PROVIDED ON CD

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-010

REQUEST:

Refer to the attachment in response to AG 1-29 and the quarterly postings of additions to Completed Construction Not Classified on line 23 for the Distribution Plant assets.

a. Describe the normal process in which Distribution Plant is classified and closed to plant.

b. For the Completed Construction Not Classified being added to plant during each of the months June 2018 through the end of the test year, provide a breakdown of the budgeted projects by project and/or account number.

RESPONSE:

a. When projects are placed in service, the costs closed to plant move from Account 107 – Construction Work in Progress to Account 106 – Completed Construction Not Classified and are allocated to specific utility accounts based on the project estimate.

b. Please refer to STAFF DR-03-024(b) Attachment for details of forecasted plant additions.

PERSON RESPONSIBLE: Cynthia S. Lee – a.
Robert H. "Beau" Pratt – b.

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-011

REQUEST:

Refer to the attachment in response to AG 1-29 and the quarterly postings of forecast additions to Completed Construction Not Classified on line 23 for the Distribution Plant assets. Explain why the forecast for retirements is segregated by account but the forecast for additions are made only to this one line item for Distribution Plant

RESPONSE:

Additions and retirements are forecasted using differing methodologies. Retirements are forecasted based on historical averages by plant account and adjusted as necessary for known, discrete retirements. Forecasted additions are the result of projected capital spend, generally within a few categories (project classes) per FERC function, and assumptions for when that capital spend will be placed into service. As a result of this methodology where capital spend is not projected at the plant account level, plant additions are not classified to specific plant accounts.

PERSON RESPONSIBLE: Robert H. "Beau" Pratt

FIRST SUPPLEMENTAL AG-DR-01-012

REQUEST:

Refer to cell row 65 of the BP Rev by Product tab in the Company's Excel workbook provided in response to Staff 1-71, which reflects an accumulation of a "Provision for rate refund – Ta" in account 496020 in the amount of $3,109,030. Confirm that the amounts included in this line represents the refunds for 2018 and first quarter 2019 federal income tax savings related to the Tax Cuts and Jobs Act as defined in Case No. 2018-00036. If confirmed, also confirm that all refunds will be recorded before the beginning of the forecast year since there were no such monthly provisions in the forecast year for the same account. If not confirmed, please explain the origin of these amounts.

RESPONSE:

a. The amounts in Account 496020 represent the deferrals recorded or planned to be recorded during the months of 2018 included in the base period.

b. In its October 31, 2018, Order in Case No. 2018-0036, the Commission established the total amount to be refunded to customers related to the reduction in the federal income tax rate resulting from the Tax Cuts and Jobs Act of 2017. The Company adjusted its existing regulatory liability to reflect the amount established in the Commission's order. Because the Company will no longer need to record additional deferrals to its Provision for Rate Refund account after October 31, 2018, it is true that all refund obligations will have been recorded before the beginning of tbe forecasted test year.

c. Not applicable.

PERSON RESPONSIBLE: Sarah E. Lawler

FIRST SUPPLEMENTAL AG-DR-01-013

REQUEST:

Refer to the ASRP filing made in Case No. 2018-00198 and the request for a base rate increase of $10.542 million in the instant proceeding, which assumes a test year ended March 31, 2020. Refer also to cell rows related to ASRP revenues in the FP Rev by Product tab in the Company's Excel workbook provided in response to Staff 1-71, which shows ASRP revenues projected in the test year as $0. The ASRP filing in Case No. 2018-00198 reflects an annual Rider ASRP revenue requirement of $3.404 million based on a forecast test year period ended December 31, 2019. Confirm that without the roll-in of the ASRP costs into base rates, the requested base rate increase of $10.542 million would likely be somewhere around $3.5 to $4.0 million less in the instant proceeding. If not confirmed, please explain.

RESPONSE:

Without the roll-in of the ASRP costs into base rates the base rate increase would be lower. However, under that scenario customers would still be paying Rider ASRP so that the overall impact on bills would be the same.

PERSON RESPONSIBLE: Sarah E. Lawler

FIRST SUPPLEMENTAL AG-DR-01-014

REQUEST:

Provide separately the monthly average daily balance of cash and short-term investments (by type of investment) for each month from January 2013 through the most recent month in 2018 for which actual information is available, and each month forecasted for the remainder of 2018, calendar year 2019, and through March 2020 on a total Company basis and allocated to gas.

RESPONSE:

See FIRST SUPPLEMENTAL AG-DR-01-014 Attachment.

Generally speaking, when Duke Energy Kentucky has cash balances, it lends these funds into the Duke Energy Utility Moneypool. Only in certain circumstances when the utility moneypool is in a large cash surplus position does Duke Energy Kentucky invest in alternative short-term investments, such as government or Treasury money funds. This surplus situation occurred for one day in November 2017 during the period requested. At the end of April 2018, Duke Energy Kentucky was a borrower from the moneypool, and we expect Duke Energy Kentucky to remain a borrower from the moneypool until its planned debt issuance in September 2019.

PERSON RESPONSIBLE: Robert H. "Beau" Pratt

KYPSC CASE NO. 2018-00261

AG-DR-01-014 SUPP ATTACHMENT IS BEING ELECTRONICALLY FILED AND PROVIDED ON CD

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-015

REQUEST:

Refer to the response to AG 1-91 which shows the jurisdictional cost of company 401(k) matches for individuals that also participate in a defined contribution and defined benefit plan for the test period. Refer also pages 13-15 of the June 22, 2017 Order in Kentucky Utilities Company Case No. 2016-00370 and to pages 16-17 of the June 22, 2017 Order in Louisville Gas and Electric Company Case No. 2016-00371, both of which defined the computation of a disallowance for similar costs.

a. Confirm that the amounts provided in response to AG 1-91 relates only to gas operations and do not include amounts associated with electric operations. If any of the amounts provided in response to AG 1-91 relate to operations other than for the gas jurisdiction, provide a breakdown of those amounts for each operation. Provide all backup calculations and copies of source documentation utilized to assess the amounts.

b. Confirm that the amounts provided represent the amount of a disallowance for the gas operations if the Commission applied the same methodology for a similar disallowance in the instant proceeding that it applied in the referenced Order in Case Nos. 2016-00370 and 2016-00371. If not, provide a new calculation which would provide such information and provide all backup calculations and copies of source documentation utilized to assess the amounts.

RESPONSE:

a. In response to AG 1-91, amounts for DE Electric were provided in error. The DEK Gas amounts are represented below. Please refer to FIRST SUPPLEMENTAL AG-DR-01-015 Attachment for calculations and source documentation.

For the test period, the jurisdictional cost of company match for individuals with a defined contribution and defined benefit plan is expected to be the following:

Kentucky	$	340,385
Allocated from Affiliates	$	153,427
Total	$	493,813

b. Objection. This request assumes facts not in evidence, misstates facts and ignores more recent Commission precedent. Without waiving said objection and to the extent discoverable, the Commission did not order any such disallowance in Duke Energy Kentucky's most recent electric rate case, 2017-00321.

PERSON RESPONSIBLE: Renee H. Metzler

FIRST SUPPLEMENTAL AG-DR-01-016

REQUEST:

Refer to the April 13, 2018 Order in Case Nos. 2017-00321 at pages 26-27 wherein the Commission required the use of the Average Life Group ("ALG") methodology instead of the Equal Life Group ("ELG") methodology for computing depreciation rates for Duke Energy Kentucky, Inc. (Electric). Further, refer to the July 20, 2005 rebuttal testimony of John J. Spanos in Case No. 2005-00042 wherein Mr. Spanos notes that he has "compared and explained the ELG procedure and the Average Service Life ("ASL" or "ALG") procedure." In order to compare the two procedures and the associated differences between the outcomes of both as applied to DEK's gas operations, provide all depreciation rate calculations using the ALG methodology instead of the ELG methodology. If available, provide in Excel format, with all formulas intact and cells unprotected and with all columns and rows accessible.

RESPONSE:

Objection. This request is vague, confusing, misstates facts, and assumes facts not in evidence. The depreciation rates set forth in the Depreciation Study submitted in this proceeding have been calculated using the ALG (or "ASL") methodology.

PERSON RESPONSIBLE: Legal – as to Objection
John J. Spanos

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-017

REQUEST:

Refer to AG DR 1-83, wherein he requested the Company to, "[p]rovide a copy of the depreciation study(ies) underlying the current depreciation rates and cite all cases in which those rates were authorized." Further, refer to the Commission's December 29, 2009 order and attached Stipulation and Recommendation, wherein DEK agreed, and the Commission ordered, to continue use of DEK's current depreciation rates and methodology for gas service as approved in Case No. 2005-00042.

a. The Company's response to AG DR 1-83 provided a depreciation study conducted as of December 31, 2008. Confirm this is not the depreciation study on which the current depreciation rates are based. If the Company is unable to confirm this, explain why.

b. Confirm that DEK's current depreciation rates are based on the study conducted and provided in Case No. 2005-00042. If the Company is unable to confirm this, explain why.

c. Provide a copy of the study provided in Case No. 2005-00042 that current depreciation rates are based on. If available, provide in Excel format, with all formulas intact and cells unprotected and with all columns and rows accessible.

d. Based on information provided in response to this request, update the response to AG-DR 1-83 accordingly, particularly with regard to terminal net salvage.

e. Provide a list of all current depreciation rates associated with each plant account.

RESPONSE:

a. The current rates are not based on the depreciation study conducted as of December 31, 2008. The current depreciation rates are based on the methodology and parameters established in Case No. 2005-00042. They were updated in the Company's recent electric base rate case (Case No. 2017-00321).

b. The current depreciation rates are based on the study conducted in Case No. 2005-00042. However, there were a few adjustments to rates from the study which were approved in the Commission Order. See Appendix E of the Commission Order.

c. The detailed depreciation study in case No. 2005-00042 is not available in electronic format; however, the attached schedule "FIRST SUPPLEMENTAL AG-DR-01-017 Attachment" sets forth the survivor curve, net salvage percent and depreciation rate, which corresponds to the currently approved depreciation rate for gas and common plant. The common plant depreciation rates have been updated since Case No. 2005-00042. They were updated in the Company's recent electric base rate case (Case No. 2017-00321).

d. As stated in response to AG-1-83, there was no terminal net salvage included in the current rates as part of the prior depreciation study.

e. The attachment to AG DR 1-84 included all current gas plant depreciation rates.

PERSON RESPONSIBLE: John J. Spanos

KYPSC CASE NO. 2018-00261

AG-DR-01-017 SUPP ATTACHMENT IS BEING ELECTRONICALLY FILED AND PROVIDED ON CD

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-018

REQUEST:

Refer to the Company's response to Staff DR 2-4 (b). Do the amounts provided as "Short-Term Incentives (STI)" include compensation in the form of restricted stock units? If so, identify those amounts. If not, provide the same response but include compensation in the form of restricted stock units that are allocated to DEK gas operations.

RESPONSE:

The amounts provided as STI do not include restricted stock units (RSU). All STI awards are paid in cash. RSU's were reported within Long-Term Incentives (LTI). There was no allocation of LTI to DEK gas operations by any Duke Energy subsidiaries during the forecasted test year.

PERSON RESPONSIBLE: Jeffrey R. Setser

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-019

REQUEST:

Refer to the Company's response to Staff DR 2-25 (b). Explain why the fact that "[t]he riser program was a capital expenditure" means "there was minimal O&M cost savings associated" with the program?

RESPONSE:

This was a proactive program to improve safety and eliminate any potential concerns with certain types of service risers that had been identified as being at risk. All work was performed as a capital expenditure and involved replacement of those qualifying facilities identified within the scope of replacement. The reference to the minimal O&M savings was intended to encompass any potential O&M incurred as part of an ad hoc response or emergency repair that could have occurred absent the proactive replacement program. Since this was a proactive capital replacement program, there would have been minimal, if any, O&M eliminated as such ad hoc response/emergency repairs would not have been included in any test year O&M budgets and likely would have been recorded as capital replacements.

PERSON RESPONSIBLE: Gary Hebbeler

FIRST SUPPLEMENTAL AG-DR-01-020

REQUEST:

Refer to the Company's response to Staff DR 2-25 (d), wherein the Company stated that "[a]ny reduction in costs of leak response due to the IMP activity would be reflected in the actual O&M costs in the future and therefore would be accounted for in that manner." Explain what the Company meant by, "and therefore would be accounted for in that manner."

RESPONSE:

Leaks on the targeted pipe are expected to continue and possibly at an increased rate (i.e., leaks per mile of pipe) due to the continuing aging of the remaining targeted pipe (more leaks per mile) versus the rate of repair/replacement. The O&M costs will continue to include the cost of repair/response of the targeted pipe until all of the targeted pipe is replaced, and at the time all is replaced, the actual ongoing O&M costs would reflect any reduction in repair/response costs.

PERSON RESPONSIBLE: Gary J. Hebbeler

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-021

REQUEST:

Refer to the Company's response to Staff DR 2-25 (e), wherein the Company, when asked to "Identify and explain any cost savings resulting from the advanced natural-gas metering infrastructure program and how such cost savings are reflected in the base-period and forecasted-test period financial statements," directed Commission Staff to the Company's response to Staff DR 2-16. Is the Company's response an indication that the only savings resulting from the advanced natural-gas metering infrastructure program provided in either the base-period or forecasted-test period are those due to a reduction in meter reading expense? If not, provide an answer to Staff DR 2-25 and identify and explain any costs savings resulting from the advanced natural-gas metering infrastructure program and how such cost savings are reflected in the application.

RESPONSE:

See response to STAFF-DR-03-007.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-022

REQUEST:

Refer to the Company's response to AG DR 1-07. Explain why, given that DEK assumed the question was limited to ROE for its gas operations, the Company objected to the request while it provided the data requested in response to Staff DR 2-41, without objection.

RESPONSE:

The Company objected to AG-DR-01-007 because it was not able to determine if the request was asking for returns on a total company basis or for gas operations only. The Company did not object to STAFF-DR-02-041 because the Staff's question was clear and understandable.

PERSON RESPONSIBLE: William Don Wathen Jr.

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-023

REQUEST:

Refer to the Company's response to AG DR 1-24. Provide an explanation as to whether reliability metrics (i.e. system pressure, etc.) have improved since the completion of the Big Bone pipeline project. Any response should provide supporting data.

RESPONSE:

The company has greater reliability in Boone and Kenton County's as result of the Big Bone project adding 175 MCFH capacity. Without this project, pressures in Richwood are approaching low points. Under system design conditions without Big Bone project, pipelines in Richwood are near capacity and system pressures are falling below acceptable levels risking reliability and loss of customers. At design conditions, pressures in this area approach the low 20 psig range without the project allowing no additional capacity and opportunity for customer growth. The Big Bone project restores capacity in this area and improves pressures. With the Big Bone pipeline, capacity is recovered and pressures are 55 psig.

PERSON RESPONSIBLE: Gary J. Hebbeler

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-024

REQUEST:

Refer to the Company's response to AG DR 1-36. In objecting to the Attorney General's request, the Company failed to confirm or deny that Cash Working Capital ("CWC") was calculated using a 1/8 O&M expense methodology. Confirm that CWC was calculated using a 1/8 O&M expense methodology.

RESPONSE:

Confirmed. The cash working capital on FR 16(7)(h)(12) was calculated using the 1/8 O&M methodology.

PERSON RESPONSIBLE: Robert H. "Beau" Pratt

Duke Energy Kentucky
Case No. 2018-00261
Attorney General's First Set Data Requests
Date Received: November 7, 2018

FIRST SUPPLEMENTAL AG-DR-01-025

REQUEST:

Reference the Company's responses to AG 1-8 through 1-11. Besides the AGA, state whether there are any other organizations to which DEK pays dues, on its behalf or on behalf of employees or contractors, and if so, identify those dues and state whether they are included for recovery in the application.

RESPONSE:

As stated in the Company's response to AG-DR-01-008 and AG-DR-01-010, "the Company is not proposing to include dues in the revenue requirement of this instant case and made an adjustment in Schedule D-2.22 to remove dues from the calculation of the revenue requirement." Also stated in the Company's response to AG-DR-01-009, "**No** amounts for dues are being proposed to be recovered from rate payers in this case." These responses were not limited to AGA dues.

PERSON RESPONSIBLE: Sarah E. Lawler