

VERIFICATION

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

The undersigned, John R. Panizza, Director, Tax 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.


John R. Panizza Affiant

Subscribed and sworn to before me by John R. Panizza on this 12 day of Dec., 2018.


NOTARY PUBLIC

My Commission Expires:

10/2/21



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
Gary J. Hebbeler, Affiant

Subscribed and sworn to before me by Gary J. Hebbeler on this 11TH day of DECEMBER, 2018.

Adele M. Frisch
NOTARY PUBLIC

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

VERIFICATION

STATE OF OHIO)
) SS:
COUNTY OF HAMILTON)

The undersigned, Bruce L. Sailors, Pricing and Regulatory Solutions Manager, 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.

Bruce L. Sailors
Bruce L. Sailors, Affiant

Subscribed and sworn to before me by Bruce L. Sailors, on this 11th day of DECEMBER, 2018.

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2019

Adele M. Frisch
NOTARY PUBLIC

My Commission Expires: 1/5/2019

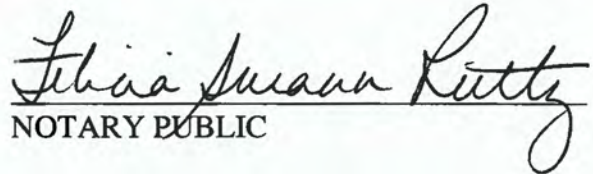
VERIFICATION

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 therein 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 11 day of December, 2018.


NOTARY PUBLIC

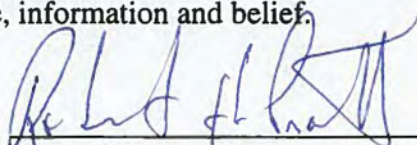
My Commission Expires:

FELICIA SUEANN RUTTY
NOTARY PUBLIC
MECKLENBURG COUNTY, NC
My Commission Expires 9-17-2023

VERIFICATION

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

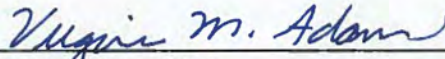
The undersigned, Robert H. "Beau" Pratt., Director, Regional Financial Forecasting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information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



Robert H. "Beau" Pratt Affiant

Subscribed and sworn to before me by Robert H. "Beau" Pratt on this 13 day of Dec., 2018.





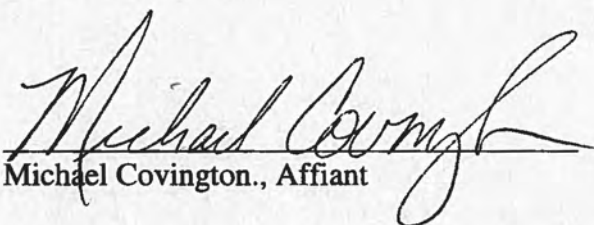
NOTARY PUBLIC

My Commission Expires: 10/2/21

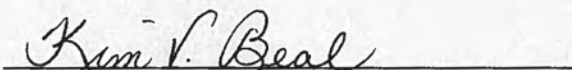
VERIFICATION

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

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., Affiant

Subscribed and sworn to before me by Michael Covington on this 13 day of Dec,
2018.


NOTARY PUBLIC

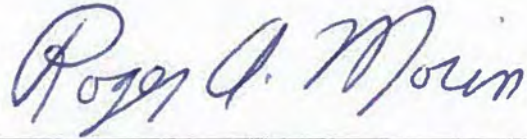
My Commission Expires: October 24, 2019



VERIFICATION

PROVINCE OF NOVA SCOTIA)
) SS:
COUNTY OF HALIFAX)

The undersigned, Dr. Roger A. Morin, Professor of Finance and a Principal in Utility Research International, 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.



Dr. Roger A. Morin Affiant

Subscribed and sworn to before me by Dr. Roger A. Morin on this 11 day of December, 2018.


NOTARY PUBLIC

AMANDA LT. LUTZ
A Barrister of the Supreme
Court of Nova Scotia

My Commission Expires: WIA



KyPSC Case No. 2018-00261
TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-04-001	John Panizza	1
STAFF-DR-04-002	Gary J. Hebbeler	2
STAFF-DR-04-003	Bruce Sailers	3
STAFF-DR-04-004	Bruce Sailers	4
STAFF-DR-04-005	Renee H. Metzler	5
STAFF-DR-04-006	Robert H. "Beau" Pratt	6
STAFF-DR-04-007	Renee H. Metzler Michael Covington	7
STAFF-DR-04-008	Roger A. Morin, PhD	8

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-001

REQUEST:

Refer to the application generally. Provide the calculation and support for any adjustments to Duke Kentucky's regulatory liability or asset for the amortization of excess accumulated deferred income taxes (ADIT), both protected and unprotected, due to the change in Kentucky's state income tax to five percent.

RESPONSE:

See STAFF-DR-04-001 Attachment.

PERSON RESPONSIBLE: John Panizza

REQUEST:

Refer to Duke Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 88.

- a. Identify and explain what costs are incurred by Duke Kentucky in its third party/contractor program with Project Resources Group.
- b. Identify all costs in the base period and forecasted test year that Duke Kentucky will incur relative to the contract with Project Resources Group.

RESPONSE:

- a. Duke Energy Kentucky does not incur any costs associated with its third party/contractor program with Project Resources Group (PRG). Per the agreement with the PRG and Duke Energy Kentucky, PRG invoices the third party for 100% of the cost. Remittance of 25% of the principle amount of the recovery per invoice will be retained by the Project Resources Group and 75% paid out to Duke Energy Kentucky. When the invoicing total reaches a threshold of \$250,000 in the state of Kentucky, a remittance of 20% of the principle amount of the recovery per invoice will be retained by Project Resources Group and 80% paid out to Duke Energy Kentucky.

- b. There are and will be no cost incurred by Duke Energy Kentucky relative to the contract with Project Resources Group. As such, there are not costs in the base period or forecasted test period.

PERSON RESPONSIBLE: Gary J. Hebbeler

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-003

REQUEST:

Refer to Duke Kentucky's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 18.b. Provide supporting documentation, including the calculation, for the hourly rate of \$78.24.

RESPONSE:

As referenced in STAFF-DR-03-018(b), the calculation of the \$78.24 / hour labor rate is calculated by taking the fully loaded labor costs associated with project id GMSREB divided by the total project id hours recorded. The calculation is $\$172,596.87 / 2,205.96$ hours = \$78.24 / hour.

PERSON RESPONSIBLE: Bruce Sailors

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-004

REQUEST:

Refer to Duke Kentucky's response to Staff's Third Request, Item 19. Indicate whether Duke Kentucky would be willing to include in its tariff a statement that residential customers with satisfactory payment records would not be charged an additional deposit unless their classification of service changes or the customer requests that their deposit be recalculated pursuant to 807 KAR 5:006, Section 8(1)(d)(3). If so, provide revised tariff sheets reflecting the same. If not, explain why not.

RESPONSE:

Yes. Duke Energy Kentucky is willing to incorporate a similar statement. See STAFF-DR-04-004 Attachment.

PERSON RESPONSIBLE: Bruce Sailors

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

KY. P.S.C. Gas No. 2
~~Third~~, Revised Sheet No. 26
Cancelling and Superseding
~~Second~~, Revised Sheet No. 26
Page 1 of 1

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SECTION VII - DEPOSITS

1. Deposits.

The Company may require a minimum cash deposit or other guaranty to secure payment of bills except for customers qualifying for service reconnection pursuant to 807 KAR 5:006, Section 16, Winter Hardship Reconnection. Service may be refused or discontinued for failure to pay the requested deposit. Interest, as prescribed by KRS 278.460, will be paid annually either by refund or credit to the customer's bill.

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The deposit may be waived by the Company upon a customer's showing of satisfactory credit or payment history, and required residential service deposits will be returned after one (1) year if the customer has established a satisfactory payment record for that period; but commercial deposits will be retained during the entire time that the account remains active. A satisfactory payment record is defined as twelve (12) months of service without being disconnected for non-payment and without the occurrence of fraud, theft, or bankruptcy. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, a deposit may then be required. The Company may require a deposit in addition to the initial deposit if the customer's classification of service changes or if there is a substantial change in usage. The Company will not require an additional deposit from a residential customer with a satisfactory payment record unless the customer's classification of service changes or the customer requests recalculation of their deposit pursuant to 807 KAR 5:006, Section 8(1)(d)(3). Upon termination of service, the deposit, any principal amounts, and any interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

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In determining whether a deposit will be required or waived, information such as the following may be considered:

1. Previous payment history with the Company. If the customer has no previous history with the Company, statements from other utilities, banks, etc. may be presented by the customer as evidence of good credit.
2. Whether the customer has filed bankruptcy proceedings within the last seven years.
3. Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

A security deposit will be required pursuant to 11 U.S.C. Section 366 in all bankruptcies where the Company is listed as a creditor.

If a deposit is held longer than 18 months, the deposit will be recalculated at the customer's request based on the customer's actual usage. If the deposit on account differs from the recalculated amount by more than \$10.00 for a residential customer or 10 percent for a non-residential customer, the Company may collect any underpayment and shall refund any overpayment by check or credit to the customer's bill. No refund will be made if the customer's bill is delinquent at the time of the recalculation.

2. All Calculated Deposits.

Customer deposits shall be based upon actual usage of the customer at the same or similar premises for the most recent 12-month period, if such information is available. If usage information is not available, the deposit will be based on the average bills of similar customers and premises in the system. The deposit amount shall not exceed two-twelfths (2/12) of the customer's actual or estimated annual bill

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Deleted: Julie Janson

Issued by authority of an Order of the Kentucky Public Service
Commission dated , 201 , in Case No. 2018-00261.

Issued: August 31, 2018.

Effective: October 1, 2018.

Issued by Amy B. Spiller, President

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-005

REQUEST:

Refer to Duke Kentucky's response to Staff's Third Request, Item 26.b.

- a. Explain the large increase in Duke Kentucky's stand-alone qualified pension plan costs from the base period to the forecasted test year (\$124,890 to \$422,096). Include support for all cost increases.
- b. Provide any changes in the assumptions and amount of the net periodic benefit cost in the base period and forecasted test period since the filing of the application.

RESPONSE:

- a. The increase in stand-alone qualified pension plan costs is attributable to the decrease in costs transferred by Duke Energy Kentucky to Duke Energy affiliates in the forecasted test year when compared to the base year.
- b. There have been no changes in assumptions or amounts in either the base period or forecasted test period since the filing of the application.

PERSON RESPONSIBLE: Renee H. Metzler

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-006

REQUEST:

Refer to Duke Kentucky's response to Staff's Third Request, Item 28.

- a. Provide the date that the \$20 million dividend will be paid to Duke Energy Ohio.
- b. Confirm that the increase in common equity is the net of Duke Kentucky's net income for the forecasted test period and the dividend paid to Duke Energy Ohio.

If this cannot be confirmed, provide the reason for the increase in common equity.

RESPONSE:

- a. The dividend is forecast to be paid to Duke Energy Ohio in September 2019.
- b. Confirmed.

PERSON RESPONSIBLE: Robert H. "Beau" Pratt

**Duke Energy Kentucky
Case No. 2018-00261
Staff Fourth Set Data Requests
Date Received: December 6, 2018**

STAFF-DR-04-007

REQUEST:

Refer to Duke Kentucky's response to the Attorney General's First Supplemental Request for Information, Item 5, regarding payroll costs.

- a. Explain the increase in capital expenditures from calendar year 2015 to 2016.
- b. Explain the increase in total payroll labor costs from calendar year 2015 to 2016.

RESPONSE:

- a. The increase in capital expenditures from 2015 to 2016 is due to main extensions for new business; main replacements focusing on integrity work; and an increase of regulator replacements based on a replacement cycle.
- b. Total payroll labor costs increased 2015 to 2016 primarily due to higher amounts of payroll billed by affiliate companies that ultimately were charged to Construction of Gas Plant. Costs incurred by affiliated companies initially charged to the category "Other Deferred" are subsequently allocated to both O&M and capital. Amounts capitalized for 2016 were significantly higher than 2015 due to the projects referenced in response "a." above.

PERSON RESPONSIBLE:

Renee H. Metzler
Michael Covington

STAFF-DR-04-008

REQUEST:

Refer to the Direct Testimony of Roger A. Morin, PhD, page 25, lines 2-6.

- a. State whether Chesapeake Utilities (Chesapeake) should be eliminated from the proxy group based on the October 30, 2018 announcement of Chesapeake's acquisition of WildHorse Resource Development Corp.
- b. If Duke Kentucky agrees that Chesapeake should be eliminated, provide updates to the DCF model.

RESPONSE:

- a. Yes, it should in view of the magnitude of the acquired company, WildHorse Resource Development.
- b. As shown in STAFF-DR-04-008 Attachment, the elimination of Chesapeake from the peer group actually results in a slightly higher ROE estimate using both Dr. Morin's filed exhibits and the updated exhibit from the natural gas group.

PERSON RESPONSIBLE: Roger A. Morin, PhD.

% IMPACT OF CHESAPEAKE UTIL ON DCF RESULTS

	With Chesapeake	Without Chesapeake
DCF Gas Group Value Line Gth	10.35	10.33
DCF Gas Group Analyst Gth	9.77	9.95
DCF Elec Group Value Line Gth	10.04	10.01
DCF Elec Group Analyst Gth	9.24	9.31
AVERAGE	9.85	9.90

% IMPACT OF CHESAPEAKE UTIL ON UPDATED DCF RESULTS

	With Chesapeake	Without Chesapeake
DCF Gas Group Value Line Gth	10.81	10.83
DCF Gas Group Analyst Gth	9.11	9.23
AVERAGE	9.96	10.03