

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AUTHORITY TO 1) ADJUST)	
NATURAL GAS RATES 2) APPROVAL OF A)	CASE NO.
DECOUPLING MECHANISM 3) APPROVAL OF NEW)	2018-00261
TARIFFS 4) AND FOR ALL OTHER REQUIRED)	
APPROVALS, WAIVERS, AND RELIEF)	

ATTORNEY GENERAL’S SUPPLEMENTAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“Attorney General”), and submits these Supplemental Data Requests to Duke Energy Kentucky, Inc. (“DEK” or the “Company”) to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel with an electronic version of these questions, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing or ambiguous, request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings

and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) “And” and “or” should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) “Each” and “any” should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that: (a) the foregoing is a true and accurate copy of the same document being filed in paper medium; (b) pursuant to 807 KAR 5:001 § 8(7), there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and (c) the original in paper medium is being filed with the Commission no later than the second day after this electronic filing. I further certify that the foregoing is being contemporaneously provided via electronic mail to:

Hon. L. Allyson Honaker
Allyson@gosssamfordlaw.com

Hon. David S. Samford
David@gosssamfordlaw.com

Rocco O. D'Ascenzo
Rocco.D'Ascenzo@duke-energy.com

This 7th day of November 2018



Assistant Attorney General

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1. 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.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.

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7. 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.
8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
13. 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,

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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.

14. 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.
15. 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.
16. 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

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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.

17. 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.
18. 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.
19. 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?

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20. 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."
21. 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.
22. 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.
23. 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.
24. 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.
25. 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.