

VERIFICATION

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

The undersigned, John L. Sullivan, III, Director, Corporate Finance and Assistant Treasurer, 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 L. Sullivan, III

John L. Sullivan, III Affiant

Subscribed and sworn to before me by John L. Sullivan, III on this 5 day of November, 2018.

Angela Hunter

NOTARY PUBLIC

My Commission Expires: **05-30-2023**



KyPSC Case No. 2018-00322
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<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-01-001	John L. Sullivan, III	1
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REQUEST:

Refer to the Application, page 5, paragraph 5, which states that Duke Kentucky does not have any specific agreements other than those entered into under the existing authority and as reported in Case No. 2016-00380,¹ and that Duke Kentucky seeks authorization of Capital Leases now to provide it flexibility in entering into leases.

- a. Confirm that Duke Kentucky likewise stated in Case No. 2016-00380 that it had no agreements other than those reported in Case No. 2014-00344,² and in that case, it had no agreements other than those reported in Case No. 2012-00576,³ and in that case, it stated it had no agreements other than those reported in Case No. 2010-00370.⁴
- b. Confirm that Duke Kentucky has not used the capital lease financing authority, granted by the Commission in the four previous cases cited, since it last reported a capital lease for meters in June 18, 2010, pursuant to the authority granted by the Commission in Case No. 2008-00504.⁵

¹ Case No. 2016-00390 *Application of Duke Energy Kentucky, Inc. for an Order to Enter Into Up to \$25,000,000 Principal Amount of Capital Lease Obligation* (Ky. PSC Dec. 16, 2016).

² Case No. 2014-00344 *Application of Duke Energy Kentucky, Inc., for an Order to Enter Into Up to \$25,000,000 Principal Amount of Lease Obligations* (Ky. PSC Nov. 20, 2014).

³ Case No. 2012-00576 *Application of Duke Energy, Inc. for an Order to Enter Into Up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky, PSC Feb. 14, 2013).

⁴ Case No. 2010-00370, *Application of Duke Energy Kentucky, Inc., for an Order to Enter Into Up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Nov. 23, 2010).

⁵ Case No. 2008-00504 *Application of Duke Energy Kentucky, Inc. for an Order to Enter Into Up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Feb. 4, 2009).

- c. Explain what loss of flexibility Duke Kentucky would experience if it were to request capital lease financing authority at the time it actually reaches a specific agreement regarding a capital lease.

RESPONSE:

- a. Duke Energy Kentucky confirms this.
- b. Duke Energy Kentucky confirms this.
- c. Entering into capital leases is another form of financing Duke Energy Kentucky has used to meet its capital requirements. Duke Energy Kentucky seeks to maintain ready access to a variety of options related to its financing. Waiting until an agreement is in place to request authority may result in a delay during which terms of the agreement could change (including those driven by changes in interest rates between the two points in time). Also, not having authority in place may make it difficult, or impossible, to negotiate an agreement with some counterparties.

PERSON RESPONSIBLE: John L. Sullivan, III

REQUEST:

Refer to the Application, Exhibit C, page 3. Given that Duke Kentucky has not entered into any capital leases since 2010, state whether it is likely that Duke Kentucky will use the extended financing authority requested herein, and if so, under what specific circumstances.

RESPONSE:

It is difficult to state the likelihood of utilizing a particular financing structure over a two year period. However, as financial conditions change, capital leases may become a more attractive form of financing for Duke Energy Kentucky. Duke Energy Kentucky would expect to enter into a capital lease where the option is determined to be the best overall financing strategy for a given situation. For example, there would need to be property available for lease where the amount of the property is sufficient for consideration of a lease agreement and the lease terms would need to be favorable, versus other forms of financing (including the administrative time and costs associated with capital leases).

PERSON RESPONSIBLE: John L. Sullivan, III