COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF THE ELECTRIC RATES; 2) APPROVAL OF NEW TARIFFS; 3) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND 4) ALL OTHER REQUIRED APPROVALS AND RELIEF | ) | CASE NO. 2019-00271 |

**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. (hereinafter "DEK" or the "Company") to be answered by November 26, 2019, 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 requested 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.

(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, please request clarification directly from undersigned 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, please 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, and in accordance with Commission direction.

(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, please 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,

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1. Refer to the response to Staff-DR-02-008 Attachment.

   a. Provide the capital expenditures and plant additions by month for each project with a total cost of $1 million or more. For each such project, provide a detailed description, including, but not limited to, the location and purpose of the project; whether the Company obtained approval, such as a CPCN, from the Commission, and if so, provide the case number; the date construction commenced or is forecast to commence; and the date the project is forecast to be placed in service.

   b. Describe the CC (Capital Challenge) capital expenditure/plant addition category and the manner in which these negative capital expenditures/plant additions were incorporated into the plant accounts for depreciation expense purposes.

   c. Provide a detailed description of the Fossil Ash Basin Initiative. Indicate whether the costs for this category of capital expenditures/plant additions qualifies for recovery through the Company's environmental surcharge mechanism, and if not, provide a detailed description of why the Company believes that it does not.

   d. Provide the revenue requirement for each project included in the Fossil Ash Basin Initiative. Provide all assumptions, data, and calculations in electronic spreadsheet in live format with all formulas intact used to quantify the revenue requirement and provide a copy of all source documents relied on for any of this information.

2. Confirm that the Company never has requested and the Commission never has authorized a prepaid pension asset in rate base for Duke Energy Kentucky electric or gas. If this is not correct, then provide a corrected statement and cite to all documentation relied on for your response.

3. Provide a copy of all internal and external correspondence addressing the need for, timing of, and/or decision to proceed with a new depreciation study less than two years after the Commission issued its Order in Case No. 2017-00321.

4. Provide all reasons why the Company chose to perform another depreciation study in the instant proceeding based on plant balances at December 31, 2018 given that it performed one for Case No. 2017-00321 based on plant balances at December 31, 2016, only a two-year interval.

5. Refer to the response to AG-DR-01-014(b)_Attachment, which provides the per books monthly ADIT in the test year by temporary difference. Refer to the response to Staff-DR-02-009(b), which provides the ADIT by temporary difference that the Company removed from the rate base calculation.

   a. Explain why the Company did not remove the Other Noncurrent After-Tax DTA for Solar ITC from the rate base calculation.

   b. Explain why the DTA for Solar ITC should be included, while the DTAs for EPRI Credit and R&D Credit are excluded. Provide a copy of all authorities relied on for your response.

6. Refer to the response to AG-DR-01-141 and the ability to include certain non-fuel O&M expense into the Woodsdale cost-based offers.

   a. Describe how the non-fuel O&M expense is addressed in the calculation of PSM margins in the after the fact calculations for non-native load sales.

   b. Confirm that the non-fuel O&M will not be used to reduce the PSM margins. If denied, then explain why including the non-fuel O&M expense as a reduction to the margins in the PSM Rider does not double count the non-fuel O&M expense included in the base revenue requirement.

7. Refer to Attachment JJS-1 at 40 (III-5).

   a. Provide all analyses and source documents and/or other information relied on for the life span estimate of 40 years for the Woodsdale CTs.

   b. Provide all analyses and source documents and/or other information relied on for the assertion that "[l]ife span estimates are typically 35 to 45 years for combustion turbines which are used primarily as peaking units."

   c. Describe all analyses Mr. Spanos performed to assess whether these "estimates" of 35 to 45 years are consistent with actual life spans for CTs. If none, so state. If Mr. Spanos actually performed such analyses in this proceeding, then provide all source documents and/or other information relied on in the analyses.

8. This question is directed to DEK and to Mr. Spanos separately. Provide all evidence that the Company actually intends to retire the Woodsdale CTs in 2032. If none, so state.

9. This question is directed to DEK and to Mr. Spanos separately. Provide all evidence that the Company actually intends to continue to operate the Woodsdale CTs beyond 2032. Such evidence includes, but is not limited to, planning studies, and internal and external correspondence.

10. This question is directed to DEK. Confirm that the Company will continue to operate and maintain the Woodsdale CTs unless and until they are no longer economic, meaning that there are alternative lower cost capacity resources. Explain your response.

11. Provide a copy of the Company's present and most recent prior capitalization and retirement plant accounting policies and procedures.

    a. Identify and describe any changes, particularly with respect to the accounting for maintenance and/or repairs on production plant that previously were accounted for as maintenance expense, but now are subject to interim retirement, followed by refurbishment/repair and return to inventory, and then capitalization to CWIP/plant when returned to service. If none, then so state.

    b. If there were such changes identified in response to part (a) of this question, then describe what effect each such change in plant accounting has on the timing and magnitude of interim retirements (Iowa curve selection) and on increasing the depreciation rate compared to the prior accounting.

    c. Provide a copy of all internal and external correspondence, including, but not limited to, Mr. Spanos, wherein such accounting changes were addressed, if any, particularly with respect to the effects on depreciation expense.

12. Refer to the Company's response to AG-DR-01-007, which sought information related to the Customer Connect costs included in the revenue requirement.

    a. Provide the amount of Customer Connect plant in service by month from March 2020 through March 2021 reflected in rate base or explain why the Company cannot provide this information.

    b. Provide the amount of Customer Connect accumulated depreciation by month from

March 2020 through March 2021 reflected in rate base or explain why the Company cannot provide this information.

c. Provide the amount of Customer Connect ADIT by month from March 2020 through March 2021 reflected in rate base or explain why the Company cannot provide this information.

d. Provide the amount of Customer Connect depreciation expense by month for the test year included in the revenue requirement. Provide the calculation of this expense in electronic spreadsheet live format with all formulas intact.

e. Provide the amount of Customer Connect ad valorem expense by month for the test year included in the revenue requirement. Provide the calculation of this expense in electronic spreadsheet live format with all formulas intact.

f. Provide the amount of Customer Connect payroll tax expense by month for the test year included in the revenue requirement.

13. Refer to the Direct Testimony of Lesley Quick ("Quick Direct"), pages 8–13.

a. Provide the percentage of total residential customer payments via credit/debit card and electronic check assumed in the test year.

b. Provide the percentage of total customer payments via credit/debit card and electronic check assumed in the test year.

c. Provide the residential uncollectible accounts expense by FERC account incurred in each year 2016–2018, in the base year, and in the test year.

e. Indicate whether the Company reduced the uncollectible accounts expense to reflect the increase in revenues collected via credit card in the test year. If so, indicate where the Company made this adjustment and provide the calculations, including electronic spreadsheets in live format with all formulas intact. If not, explain why the Company did not do so.

f. Indicate whether the Company reduced the discount in proceeds from the sale of the Company's receivables to reflect the increase in revenues collected via credit card in the test year. If so, indicate where the Company made this adjustment and provide the calculations, including electronic spreadsheets in live format with all formulas intact. If not, explain why the Company did not do so.

g. Indicate whether the Company reduced the cost to process cash, checks, money orders, and automated bank drafts (ACH) to reflect the increase in transactions and revenues collected via credit card in the test year. If so, indicate where the Company made this adjustment and provide the calculations, including electronic spreadsheets in live format with all formulas intact. If not, explain why the Company did not do so.

14. Refer to the response to AG-DR-01-038 Attachment 1.

    a. Provide a schedule in the same format showing the expense portions only. Provide the schedule in electronic spreadsheet live format with all formulas intact.

    b. Confirm that the non-service cost is allocated 100% to expense. If it is not, then explain why it is not and why DEK would treat this differently than Duke Energy Indiana in its pending rate case.

15. Refer to the response to AG-DR-01-048(b) Attachment.

    a. Provide the same information for 2016.

    b. Explain why the expense in accounts 593000 and 594000 was significantly greater in 2017 compared to 2018. Identify and provide a description of any specific weather or other event that caused these anomalous levels of expense in 2017 and the expense associated in each account associated with each such event.

    c. Explain why the expense in account 593100 in 2018 was significantly greater in 2018 compared to 2017. Identify and provide a description of any specific weather or other event that caused these anomalous levels of expense in 2017 and the expense associated in each account associated with each such event. Also, describe the extent to which the expense incurred in 2018 included additional expenses for catch-up activities due to the extremely low level of expense in 2017.

16. Refer to the response to AG-DR-01-050.

    a. Confirm that the Commission never has affirmatively approved the recovery of DEBS cost of capital compensation in the DEK electric or gas revenue requirement. If that is not correct, then identify the Case number and provide a cite to the relevant order(s).

b. Provide the DEBS actual capitalization by component, including notes payable (affiliate and non-affiliate) and short-term debt, for each month from January 2016 through the most recent month for which actual information is available and forecast thereafter through the end of the test year. Provide a breakdown of the DEBS common equity by individual FERC balance sheet account, including, but not limited to, 201, 211, 215, 216, 216.1, and 219.

c. Provide the DEBS actual interest expense on each type of notes payable (affiliate and non-affiliate) and short-term debt (intercompany money pool, credit facility, etc.) and the monthly weighted average cost of that debt monthly from January 2016 through the most recent month for which actual information is available and forecast thereafter through the end of the test year.

d. Confirm that the DEBS EDIT taken to income in 2017 increased the DEBS common equity, all else equal. Explain your response.

17. Provide a complete description of the fuel inventory level policies used for planning purposes by DEK.

18. Provide the following information related to fuel inventory levels for each generating unit or plant, or both, based on a daily burn concept:

a. Tons or gallons of fuel consumed or projected to be consumed separately for 2018, for the projected base year, and for the projected test year;

b. The daily burn in (AA) tons, (BB) gallons, or (CC) cubic feet or Mcf;

c. The optimal or target number of days' supply required for each generating unit or plant, including a copy of all source documents and analyses that were used to determine the optimal or target number of days;

d. The number of days' supply assumed for each generating unit or plant assumed in the projected test year inventory balance;

e. The projected inventory of tons or gallons by generating unit or plant included in the test year;

f. The fuel cost per ton or gallon assumed for each generating unit or plant to determine the projected inventory amount in dollars;

g. The per books fuel inventory dollar amount for each generating unit or plant for each month in 2018 and in 2019 for all months with actual data available.

19. Refer to the responses to the previous question and to WPB-5.1h which contains the dollar balances of diesel fuel inventory by month in account 151140 (A). Refer also to the Direct Testimony of James M. Mosely ("Mosely Direct"), at pages 12–13.

a. Explain how the target level of diesel fuel inventory has been determined since the new ULSD Fuel System for Woodsdale became operational.

b. Describe how the diesel fuel is transported for use at the Woodsdale station and how it is stored for later utilization.

c. Provide the number of gallons and cost per gallon assumed in the 13 month average diesel fuel inventory amount of $5,162,494 included in the filing.

d. Provide the amount of diesel fuel burned by month to date since the new ULSD Fuel System became fully operational.

e. Provide the estimated amount of burn of diesel fuel required if the new ULSD Fuel System has to run 72 hours of continuous operation at full burn in order to meet the design specifications indicated in the application in Case No. 2017-00186 at page 9.

f. If the target level of diesel fuel is higher or lower than the 72-hour level as indicated in the previous subpart to this question, explain why.

20. Refer to Mosely Direct at pages 12–13 regarding the new ULSD Fuel System for the Woodsdale Units. Provide the current total amounts of plant in service by FERC plant account number, including AFUDC added during construction, associated with the new ULSD Fuel System.

21. Provide the accounts payable balances for fuel inventories (Electric Division) at month-end for each month January 2018 through December 2018 (actuals), January 2019 through December 2019 (actuals for months where actual information is available and forecasts for remaining months), and for each month in the forecast test year. Describe the process the Company utilized to determine the accounts payable balances for fuel inventories. If these payables are maintained in a separate subaccount, then provide the balances for the months

requested by subaccount.

22. Provide the accounts payable balances for M&S inventories (Electric Division), including limestone inventories and stores expense balances as included in WPB-5.1c, at month-end for each month January 2018 through December 2018 (actuals), January 2019 through December 2019 (actuals for months where actual information is available and forecasts for remaining months), and for each month in the forecast test year. Describe the process the Company utilized to determine the accounts payable balances for M&S inventories. If these payables are maintained in a separate subaccount, then provide the balances for the months requested by subaccount. Provide all support developed and relied on for this response, including all calculations, if any.

23. Describe the Company's sale of its customer accounts receivables to an affiliate, including, but not limited to, the timing of the sales, e.g., daily, weekly, monthly; the discount for financing costs; the discount for bad debt expense; and any other discounts that reduce the proceeds when the receivables are sold.

24. Provide a copy of the Company accounts receivable agreement with its receivables affiliate.

25. Provide the expenses by FERC account in the base year and in the test year for each discount factor related to the Company's sale of its customer accounts receivable. Provide the calculation of these expense amounts.

26. Describe how the Company reflected the sale of its customer accounts receivables in the one-eighth of O&M expense calculation of cash working capital.

27. Provide the average number of days lag between the recording of the billed revenues and offsetting receivables and the recording of the sale of the receivables to the affiliate.

28. Confirm that Duke Energy Ohio also sells its customer accounts receivables to an affiliate.

29. Provide the PUCO docket number for Duke Energy Ohio's most recent base rate case proceeding. Describe the DEO request for cash working capital in that proceeding and provide the relevant schedules and calculations.

30. Confirm that in its filing in the pending IURC Cause No. 45253, Duke Energy Indiana included $0 for cash working capital in rate base. Provide all reasons why the Kentucky

Public Service Commission should include cash working capital based on the one-eighth approach in this proceeding when Duke Energy Indiana included $0 for cash working capital in rate base in the Indiana proceeding.

31. Confirm that this will be the first time the Kentucky Public Service Commission sets the Company's base rates using rate base instead of capitalization, assuming that the Company's request to do so is adopted.

32. Refer to the following excerpt from DEK's 2018 FERC Form 1 at page 123.11:

**FERC 494 Refund of Regional Transmission Enhancement Projects**

FERC Order No. 494 Settlement Agreement (FERC 494 Settlement Agreement) was entered into by most of the PJM transmission owners, including Duke Energy Kentucky, and the PJM state regulatory commissions approximately two years ago and was planned to be effective on January 1, 2016; however, it was not approved by the FERC until May 31, 2018. The FERC 494 Settlement Agreement was due to the Seventh Circuit Court of Appeals finding that the FERC had failed to adequately justify the costs that the customers in the western part of PJM were being charged for high voltage transmission projects, or Regional Transmission Expansion Plan (RTEP) projects (500 kV and above) built in the east. These costs were being allocated to all PJM customers on a load-ratio share basis but the court determined that these costs were not justifiable to customers in the west, including Duke Energy Kentucky, that did not benefit from the RTEP projects. Costs for the periods 2012 through 2015 are expected to be refunded to Duke Energy Kentucky on a monthly basis through December 2025. The refund amount for similar costs incurred beginning in 2016 through June 30, 2018, prior to the change in cost allocation by PJM was determined in the third quarter of 2018 and these amounts will be refunded over a 12-month period beginning in July 2018. These refunds, totaling approximately $8 million for Duke Energy Kentucky have been recorded to Operation, maintenance and other on the Statements of Operations for the year ended December 31, 2018.

a. Provide the amounts of the FERC Order No. 494 refunds recorded by subaccount by month starting in 2018 through the present month and projected through December 2025 associated with RTEP costs for the periods 2012 through 2015.

b. Provide the amounts of the FERC Order No. 494 refunds projected for the test year and included in the instant case filing by subaccount by month associated with RTEP costs for the periods 2012 through 2015. If no refunds were projected for the test year, explain why not since the notation describes refunds through 2025.

c. Provide the amounts of the FERC Order No. 494 refunds recorded by subaccount by month starting in 2018 through the present month and projected through the end of the test year associated with RTEP costs for the periods 2016 through June 30, 2018.

d. Indicate whether or not any FERC Order No. 494 refunds associated with RTEP costs for the periods 2016 through June 30, 2018 are included as reductions to test year costs. If so, indicate the subaccount in which these refunds are reflected and the amount in the test year. If not, explain why not.

e. Explain all reasons why the Company did not seek to return the FERC Order No. 494 refunds amounts associated with RTEP costs to customers as part of the instant case or another filing. If the refunds were flowed through to ratepayers in part or in whole via the fuel adjustment clause or other rider, describe in detail.

33. Refer to the response to AG-DR-01-014 from Case No. 2017-00321 which reported historical actual cost data charged to DEK for RTEP costs.

a. Provide the actual RTEP costs recorded for each month starting with the first month such costs were incurred until the most recent month with available data. Identify amounts recorded for each subaccount for each month.

b. Provide the amount of DEK RTEP costs forecast for each month in the base year and in the test year.

34. Refer to the response to Staff-DR-02-060 which mentioned the FERC Order No. 494 refunds "for RTEP charges incurred by the Company in prior periods that were never charged to customers in base rates or any riders."

a. Explain this statement. As part of the response, provide the amounts of DEK RTEP charges that were charged to customers on a monthly basis through the most recent month with available data.

b. Identify the month when new rates went into effect related to Case No. 2017-00321.

c. Prior to the change in base rates associated with Case No. 2017-00321, identify when rates were last updated and cite the related case number.

d. Provide the amount of transmission expenses in Accounts 560-574 that were included in rates, base rates and other, for each of the years 2013 through 2019. If amounts changed during any year, such as 2018, notate amounts before and after the change.

e. Provide the authorized earned rate of return for DEK for each of the years 2013 through 2018 and the actual earned rate of return experienced in each of those same years.

35. Refer to the Direct Testimony of Sarah E. Lawler ("Lawler Direct"), page 17, regarding the quantification of $0.145 million included in the revenue requirement for the proposed Electric Vehicle Pilot Program.

a. Provide a copy of the quantification of this amount that includes the cited return on rate base, depreciation expense, and property tax expense components.

b. Provide the source of the depreciation rate selected for the quantification and indicate the plant account affected by the capital expenditures.

c. Identify the plant in service amounts for each plant account utilized in the Company's estimate.

36. Provide a monthly schedule for each of the 13 months during the projected base period and projected test year used to compute the 13 month average included in projected rate base by FERC electric plant account (and by power plant for the production plant accounts) showing plant in service, additions, retirements, depreciation expense, and accumulated depreciation. For those accounts that are both electric and gas, provide an allocation to electric for purposes of this response. Provide this information in electronic spreadsheet format. Identify all costs separately that are recovered through the Company's Rider ESM or other rider instead of base rates.

37. Refer to the response to AG-DR-01-042 related to actual and projected FTEs and payroll dollars for DEK (Electric) employees separated between expense, capital, and other. Refer also to the response to AG-DR-01-043 related to the same information for DEBS employees. The responses state that "the Company does not budget headcount."

a. Describe in detail how the Company budgets payroll costs, including but not limited to the test year.

b. Explain specifically how the Company budgets payroll costs without also budgeting headcount increases or decreases as part of the make-up of payroll cost changes.

c. Provide a copy of all written policies or instructions used by the Company to budget payroll costs generally and specifically for the budget periods involved with the months during the test year.

38. Refer to the labor costs reported on Schedule G-1 and the response to AG-DR-01-042 Attachment 1, pages 1-5. Indicate whether the costs portrayed include costs for DEK (Electric) employees only or whether they also include allocated costs related to DEBS employees. If they do include both, provide the breakdown of costs included on Schedule G-1 and in the response to AG-DR-01-042 Attachment 1, pages 1-5, between the two sources.

39. Refer to the response to AG-DR-01-042 Attachment 1, pages 1-5, and Attachment 2 related to actual FTEs and actual and projected payroll dollars for DEK (Electric) separated between expense, capital, and other. The average monthly payroll expense budgeted for 2020 equals \$2.247 million. The average monthly payroll expense budgeted for 2019 equals \$1.994 million. The average monthly payroll expense actually recorded during the first 9 months in 2019 was only \$1.686 million. Finally, the DEK (Electric) headcount decreased from 147 FTEs at December 2018 to 134 in January 2019 and again to 175 during the months of July 2019 through September 2019, primarily in the category of "Distb, Cust Ops & DE Carolina."

a. Explain all reasons why monthly payroll expense would increase from the actual \$1.686 million in 2019 to the budgeted \$2.247 million in 2020, an average increase of \$0.561 million per month or an increase of over 33%.

b. Explain all reasons why monthly payroll expense would increase from the budgeted \$1.994 million in 2019 to the budgeted \$2.247 million in 2020, an average increase of \$0.253 million per month or an increase of almost 13%.

c. Explain all reasons why the headcount decreased from 195 FTEs at December 2018 to 181 in January 2019 and again to 175 during the months of April 2019 through September 2019, primarily in the category of "Distb, Cust Ops & DE Carolina."

d. Describe in detail all expectations related to the number of DEK (Electric) headcount FTEs for the remainder of 2019, for 2020, and for the first three months of 2021 compared to the September 2019 level of 127 FTEs. Be sure to distinguish between such things as new employees for new programs, filling vacancies, employee reductions by reason, and other.

40. Refer to the response to AG-DR-01-042 Attachment 1, pages 1-5, and the response to AG-DR-01-041, which reported several reconciling items between test year and base year payroll expense as reflected on Schedule G-1.

a. Indicate the month(s) of the budgeted test year 3.5% pay increases.

b. One of the reconciling items was described as "Base Period inadvertently excluded Unproductive Labor Allocation." Explain what is meant by "Unproductive Labor Allocation", how this allocation is calculated, how this allocation could be included in the test year projection but not the base year projection, and whether a similar allocation is actually recorded on the books of the Company.

c. One of the reconciling items was described as "Contingent workers in Base Period – FTE in Test Period." Explain what is meant by "Contingent workers."

d. One of the reconciling items was described as "Contingent workers in Base Period – FTE in Test Period." Refer also to the response to AG-DR-01-042 which states that "the Company does not budget headcount." Explain the apparent disparity in these two responses regarding the budgeting of FTEs.

e. One of the reconciling items was described as "Decrease in capitalized labor in Test Period." The 2020 budget for capitalized labor increases over the 2019 budget by \$3.323 million (\$17.898 million in 2020 compared to \$14.575 million). Explain how there is a "Decrease in capitalized labor in Test Period" of \$0.663 million as reported in the response to AG-DR-01-041 when the budgeted capital dollars for the vast majority of the months included in both periods are increasing substantially (nearly 23% increase in 2020 calendar year budget over 2019 calendar year budget).

41. Refer to the response to AG-DR-01-042 Attachment 1, page 1, related to the 2020 budgeted payroll labor costs separated between expense, capital, and other for DEK (Electric). Provide in the same format the monthly amounts (summed annually) for each of the months included in the test year and in the base year. If the total expense portions for the test year and base year do not agree to the \$26.955 million and \$24.092 million, respectively,

reflected on Schedule G-1, explain why not.

42. Refer to the response to AG-DR-01-043 Attachment 1, page 1, related to the 2020 budgeted payroll labor costs separated between expense, capital, and other for DEBS. Provide in the same format the monthly amounts (summed annually) for each of the months included in the test year and in the base year. In addition, provide the allocation percentages and amounts of each of the payroll cost categories of DEBS payroll costs allocated to DEK (Electric) for these two periods and for the actual months recorded in 2019.

43. Refer to the response to AG-DR-01-043 Attachment 1, pages 1-3, and Attachment 2 related to actual FTEs and actual and projected payroll dollars for DEBS separated between expense, capital, and other. The average monthly payroll expense budgeted for 2020 equals $25.974 million when excluding the month of January 2020 that had extraordinary high budget dollars. The average monthly payroll expense actually recorded during the first 9 months in 2019 was only $21.182 million. Finally, the DEBS headcount decreased from 7,855 FTEs at December 2018 to 7,566 at September 2019.

   a. Explain all reasons why monthly payroll expense would increase from the actual $21.182 million in 2019 to the budgeted $25.974 million in 2020, an average increase of $4.792 million per month or an increase of nearly 23%.

   b. Explain all major reasons why the headcount decreased by 289 FTEs from December 2018 to September 2019.

   c. Describe in detail all expectations related to the number of DEBS headcount FTEs for the remainder of 2019, for 2020, and for the first three months of 2021 compared to the September 2019 level of 7,566 FTEs. Be sure to distinguish between such things as new employees for new programs, filling vacancies, employee reductions by reason, and other.

44. Refer to the response to AG-DR-01-043 Attachment 1, pages 1-3, related to actual and projected payroll dollars for DEBS separated between expense, capital, and other. The average monthly payroll costs capitalized for 2020 equals $3.756 million when excluding the month of January 2020 that had extraordinary high budget dollars. The average monthly payroll costs capitalized for 2019 equals $4.314 million. The average monthly payroll capitalized actually recorded during the first 9 months in 2019 was only $1.431 million. Finally, the average monthly payroll capitalized actually recorded during 2018 was only $1.129 million.

a. Explain all reasons why monthly payroll capitalized would increase from the actual $1.431 million in 2019 to the budgeted $3.756 million in 2020, an average increase of $2.446 million per month or an increase of nearly 171%.

b. Explain all reasons why there is an apparent large disconnect between monthly payroll actually capitalized thus far in 2019 of $1.431 million vs. the budgeted payroll capitalized in 2019 of $4.314 million per month.

45. Refer to the Direct Testimony of Mr. Setser ("Setser Direct"), at page 16, wherein he states "Cost of capital represents financing costs, including, but not limited to, interest on debt and a fair return on equity to shareholders." Identify the source of this definition of cost of capital and provide a copy of the source document.

46. Refer to the response to AG-DR-01-050(c) and the Attachment. Provide the amount and the calculation of the amount for the DEBS cost of capital by FERC account included in the Company's revenue requirement in the test year. In addition, indicate where this amount is included (identify the specific schedules, workpapers, line numbers and columns). Provide all data (quantification of each DEBS rate base component, including the source relied on and a copy of each source document; cost of capital, including the source relied on and a copy of each source document; allocation to DEK;); all assumptions; all calculations; and all workpapers, including electronic spreadsheets in live format with all formulas intact.

47. Provide the DEBS actual average daily short-term debt and the related interest expense by type of short-term debt recorded in 2015, 2016, 2017, 2018, and each month for which actual information is available in 2019 by FERC account.

48. Provide the DEBS actual monthly long-term debt and the related interest expense for each debt issuance recorded in 2015, 2016, 2017, 2018, and each month for which actual information is available in 2019 by FERC account. If none, then so state.

49. Provide the DEBS actual monthly common equity by component (common stock issued, additional paid in capital, retained earnings, etc.) recorded in 2015, 2016, 2017, 2018, and each month for which actual information is available in 2019 by FERC account.

50. Identify all proceedings in which the Kentucky Public Service Commission affirmatively addressed and approved the DEBS or the Company's calculation of the DEBS cost of capital allocated and charged to DEK.

51. Refer to DEK's response to Staff-DR-02-051, part a. Provide all analyses performed by Mr. Jacobi showing that the Company's requested ROE of 9.8% is sufficient to meet the financial targets listed on page 3 of Mr. Jacobi's testimony. Provide all work papers and spreadsheets with cell formulas intact.

52. Provide the historical returns on equity for DEK for the calendar years 2010 through 2018.

53. The Company's response to AG-DR-01-078, Attachment 1 indicates the following current costs of new meters associated with the Residential class:

$ 18.95
$ 25.86
$ 28.75
$ 33.22
$ 41.75
$ 42.23
$ 42.33
$ 42.87
$ 64.63
$ 86.16
$ 95.00
$ 105.00
$ 110.90
$ 125.00
$ 147.22
$ 148.08
$ 149.78
$ 241.90
$ 255.00
$ 259.00
$ 266.00
$ 367.00
$ 372.06

With regard to each of these current costs, indicate which meters are "Smart Meters" as opposed to traditional analog or digital meters.

54. With regard to AG-DR-01-083, the Company was asked to explain why the class services "weighting" factors change from those used in the Company's 2017 General Rate Case. The Company's response for DT-Secondary, DT-Primary, DP-Primary and Transmission indicates that the "weighting factor decreased from 7 to 6 in the 2019 COSS." This response does not answer the question as the question itself indicated that these class's weighting factors decreased from 7 to 6. Fully explain why these weighting factors decreased in this case relative to the 2017 General Rate Case.

55. With regard to the cost of vegetation management as referred to in the Company's response to AG-DR-01-084, provide the actual cost of vegetation management each year 2016 through 2018 and 2019 year-to-date.

56. With regard to the cost of cable locate expenses in Account 584 as referred to in the Company's response to AG-DR-01-085, provide the actual cost of cable locate expenses in Account 584 each year 2016 through 2018 and 2019 year-to-date.

57. With regard to the cost of environmental maintenance expenses in Account 595 as referred to in the Company's response to AG-DR-01-086, provide the actual cost of environmental maintenance expenses in Account 595 each year 2016 through 2018 and 2019 year-to-date.

58. With regard to the cost of distribution load dispatch labor costs as referred to in the Company's response to AG-DR-01-087, provide the actual cost of distribution load dispatch labor costs each year 2016 through 2018 and 2019 year-to-date.

59. With regard to the cost of meter services costs in Account 586 as referred to in the Company's response to AG-DR-01-088, provide the actual cost of meter services costs in Account 586 each year 2016 through 2018 and 2019 year-to-date.

60. With regard to the labor and contract costs within customer service and information expenses as referred to in the Company's response to AG-DR-01-093, provide the actual labor and contract costs embedded in customer service and information expenses each year 2016 through 2018 and 2019 year-to-date.

61. With regard to the cost of labor and consultant costs within sales expenses as referred to in the Company's response to AG-DR-01-094, provide the actual labor and consultant costs embedded in sales expenses each year 2016 through 2018 and 2019 year-to-date.

62. Refer to the response to AG 1-100. There was no response to the question of whether the DEOK transmission zone within PJM will have an interconnection with the MISO MTEP Hubble to Batesville 138 kV flowgate project, located within the Duke (Indiana) service territory. Provide an answer to the question.

63. Refer to the response to AG 1-126.

  a. Explain whether ADMS is being deployed on a circuit-by-circuit basis, as "part of the normal extension of existing systems and replacements." If not, provide a complete explanation of the basis on which ADMS is being deployed.
  b. DEK failed to answer subpart (b) of this question. Provide an answer to the question.
  c. DEK failed to answer subpart (d) of this question. Provide an answer to the question. DEK failed to answer subpart (e) of this question. Provide an answer to the question.
  d. Provide any and all cost-benefit analyses DEK or its affiliates may have conducted regarding the use of ADMS.

64. Refer to the response to AG 1-128. The Company failed to respond to the question. Provide responses to the following:

  a. State whether DEK utilizes, or plans to utilize distributed energy resources management systems ("DERMS"). If so:

    (i) Provide a discussion including the extent of such deployment and usage;
    (ii) State whether DEK intends to seek a CPCN for such deployment. If not, why not?
    (iii) Provide any and all cost-benefit analyses DEK or its affiliates may have conducted regarding the use of DERMS.
    (iv) Describe any and all alternatives to the use of DERMS DEK or its affiliates may have considered.

65. Provide any and all specific quantifications, studies or analyses of the degree to which DEK anticipates DERs to penetrate its service territory, other than the Confidential DEK Net Metering Forecast provided in response to AG 1-115.

66. Regarding DEK's plans for a self-optimizing grid, explain the role that distribution automation, including remote reclosers will play, if any. Discuss also the extent to which remote disclosers have already been installed on the distribution system.

67. Explain the degree to which DEK's proposed distribution system enhancements enhance both physical and cyber grid security.

68. Refer to the response to AG 1-121. Are any of DEK's ten worst performing circuits driving any deterioration in reliability?

    a. Are certain causes or conditions responsible for a disproportionate number of outages?

    b. Explain how the proposed distribution enhancement projects address these causes or conditions.

69. Explain how trends in DEK's reliability standards (i.e., whether reductions or improvements in reliability), as measured through SAIDI, SAIFI, and MAIFI and overall performance in its service territory compare with the average U.S. investor owned utility's reliability standards.

70. Explain whether DEK will seek recovery of costs for future grid modernization/optimization expenses in base rate cases, or outside of a base rate case (i.e., through a rider).

71. Provide a discussion regarding DEK's plans for its next IRP filing to incorporate resource planning and review to the circuit-by-circuit level. Include in the discussion:

    a. How such an enhanced distribution planning will benefit DEK customers;

    b. Whether the planning will include issues discussed in Ms. Norton's testimony in the instant case, including but not limited to a self-optimizing distribution grid;

    c. For each new technology or project DEK intends to deploy in the distribution grid, whether the Company will commit to utilize robust benefit-cost analyses such as those utilized in Case No. 2016-00152, including carrying charges and increased O&M.[1] If DEK will not so commit, explain fully why not;

d. Whether DEK will seek stakeholder input regarding new distribution grid technologies or projects it intends to deploy. If not, why not?

e. Whether DEK will provide the criteria it utilizes in determining which circuits will receive modernization, upgrades, etc., including but not limited to:

   i. customer characteristics such as density;
   ii. the presence of sensitive facilities such as hospitals, first responders, or commercial or industrial customers with specialized needs;
   iii. historic SAIDI or SAIFI statistics for a given circuit;
   iv. how DEK translates reliability improvements into economic benefits (for example, does the Company use the U.S. Department of Energy's online Interruption Cost Estimate Calculator?);
   v. once a circuit upgrade is completed, how will the new reliability performance levels compare to both the average U.S. investor-owned utility, and to DEK's Midwest affiliates?

f. Whether DEK will provide objective, measureable impacts and operational targets (e.g., MW increases in DER hosting capacity, reliability improvements in SAIDI minutes per year, for example) regarding each distribution grid project/technology. If not, why not?

g. Whether DEK will agree to commit to achieving the operational targets described immediately above, and if it fails to achieve a given target, whether it would agree to accept a pre-determined consequence (for illustrative purposes, a certain reduction in return on a given project). If not, why not?

h. Whether DEK will consider locational benefit analyses and/or non-wire alternatives to delay or avoid grid investments (for example, circuit-specific demand response).

[1] *In Re: Application Of Duke Energy Kentucky, Inc. For (1) A Certificate Of Public Convenience And Necessity Authorizing The Construction Of An Advanced Metering Infrastructure; (2) Request For Accounting Treatment; And (3) All Other Necessary Waivers, Approvals, And Relief.*

72. Explain whether DEK would agree to file with the Commission an annual informational report regarding grid modernization initiatives, which would depict the following data for circuits that have undergone such initiatives:

    a. The amount of capital spending for distribution grid modernization;

    b. Reliability improvements, if any, including three years' history of reliability indices reporting before the grid modernization initiatives were undertaken, and as many years' worth of reporting as exist following the implementation of the initiatives;

    c. Stranded costs, if any, resulting from early retirements of equipment and plant retired prior to the end of their remaining useful life;

    d. Distribution line loss, including three years' history of such losses before the grid modernization initiatives were undertaken, and as many years' worth of reporting as exist following the implementation of the initiatives;

    e. Vegetation management expense for each such circuit, including three years' history of such expenses before the grid modernization initiatives were undertaken, and as many years' worth of such expenses as exist following the implementation of the initiatives.

    f. Expenses for undergrounding on each such circuit, including three years' history of such expenses before the grid modernization initiatives were undertaken, and as many years' worth of such expenses as exist following the implementation of the initiatives. If DEK will not agree to file such an annual report, explain fully why not.

73. Refer to the Direct Testimony of Ash M. Norton ("Norton Direct"), at page 5. Provide all cost estimates, studies, or projections regarding the Company's plans to increase distribution substation transformer capacity by approximately 268 kVA.

    a. Explain whether increasing substation transformer capacity will also require replacement of fuses, circuit breakers, and other equipment or plant to accommodate the increased energy flow. If so, provide any and all cost projections.

74. Refer to Norton Direct at page 12, wherein she states that DEK is "moving from a static grid that may employ limited and pre-determined solutions through manual switching to a self-optimizing grid that responds quickly and automatically to failures and mitigates them by finding the most efficient real-time solution to restore customers."

    a. Provide any and all quantifications, studies or analyses which include cost estimates / projections required to bring about this change.

    b. Reference further, Norton Direct, pages 13–14, which states that "[a]t the present deployment rate, a fully self-optimizing distribution grid capability will take more than a decade to achieve." Provide a more certain projected timeline to complete this project.

    c. Explain whether any other Duke Energy operating companies either have undergone, or will undergo the changes necessary to transition to a self-optimizing grid. If so, describe the initiatives those operating companies deployed, and provide cost estimates and a projected timeline. If not, explain why not.

75. Refer to Norton Direct, at pages 13–14, wherein she states DEK is making investments in its distribution grid in the ordinary course of business as its distribution systems need upgrading, or as changes in performance dictate that an upgrade is desired.

    a. Explain the circumstances under which a change in circuit performance would dictate that an upgrade is necessary.

    b. Provide the total number of circuits on DEK's distribution grid.

76. Refer to Norton Direct, at page 16, Table 3.

    a. For each year 2012–2020, provide the number of distribution circuits upgraded in any manner.

    b. Confirm that over the four-year period 2017–2020, DEK will have spent $239.5 million in upgrading its distribution system, representing an average of $59.75 million per year.

c. Confirm that over the four-year period 2013–2016, DEK spent $82.3 million, representing an average of $20.57 million per year.

d. Confirm that over the four-year period 2017-2020, DEK will have spent approximately 190.47% more on its distribution grid than over the four-year period 2013-2016.

77. Refer to the response to PSC 2-100, Attachment. State whether the 5-year total of $242.092 million for the following distribution projects are in addition to the projected distribution spending set forth in Norton Direct, page 16, Table 3. If all or any portion of the 5-year totals are in addition to the figures set forth in Norton Direct, provide a revised total which reflects both sets of figures:

a. "HB-Distribution Substation";

b. "HW -Distribution Highway Jobs";

c. "IK -Distrib Lines OH/UG (Line Ext)";

d. "IO - Distribution Improvements".

78. Does the Company use credit cards that include rebates? If the response is in the affirmative, provide the following items:

a. Amount of rebate reflected in the cost of service base year and forecasted period. If the amount is allocated, provide the allocations.

b. Actual credit card rebates by year for 2016, 2017, 2018, and 2019 YTD. For each year, state the expense accounts where these credit card rebates are reflected and provide a detailed breakdown of those expense accounts.