

KyPSC Case No. 2020-00142
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Duke Energy Kentucky
Case No. 2020-00142
Staff First Set Data Requests
Date Received: August 31, 2020

STAFF-DR-02-001

REQUEST:

Refer to Duke Kentucky's ES Form 2.10 for the expense months of April 2019 through September 2019 produced in response to Commission Staff's First Request for Information (Staff's First Request), Item 1, Attachments 2 through 7. For each expense month, confirm that Gross Plant in Service, as shown in column 2 of the relevant ES Form 2.10, does not include Allowance for Funds Used During Construction (AFUDC). For each expense month for which this cannot be confirmed, provide the AFUDC amounts included in Gross Plant in Service for that month, and explain why those amounts are included.

RESPONSE:

For the months of April 2019 through September 2019, Gross Plant in Service included \$1,793,071.35 of AFUDC on ESM Form 2.10. In fact, AFUDC has been improperly included in Gross Plant in Service on ESM Form 2.10 since the expense month of November 2018. Duke Energy Kentucky commits to rectify the problem beginning in the expense month of August 2020 and will include a refund to native customers of \$380,992. In addition, in its next Rider PSM filing, Duke Energy Kentucky will include a refund of \$8,924 to reflect the amount allocated to non-native customers.

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Expense Month	AFUDC Included	Proposed Refund	
		Rider PSM	Rider ESM
Nov 2018	\$ 279,599	\$ (156)	\$ (5,803)
Dec 2018	279,599	(190)	(6,333)
Jan 2019	279,599	(170)	(6,339)
Feb 2019	279,599	(168)	(6,331)
Mar 2019	1,793,071	(1,104)	(37,636)
Apr 2019	1,793,071	(1,166)	(40,490)
May 2019	1,793,071	(556)	(17,805)
Jun 2019	1,793,071	(563)	(17,772)
Jul 2019	1,793,071	(415)	(13,888)
Aug 2019	1,793,071	(528)	(17,745)
Sep 2019	1,793,071	(551)	(17,691)
Oct 2019	1,793,071	(502)	(17,712)
Nov 2019	1,793,071	(431)	(17,752)
Dec 2019	1,878,445	(396)	(18,430)
Jan 2020	1,878,445	(376)	(18,594)
Feb 2020	2,094,715	(381)	(20,332)
Mar 2020	2,094,715	(328)	(20,799)
Apr 2020	2,094,715	(282)	(19,897)
May 2020	2,094,715	(231)	(19,902)
Jun 2020	2,094,715	(219)	(19,883)
July 2020	\$ 2,094,715	\$ <u>(211)</u>	\$ <u>(19,858)</u>
Total Proposed Refund		\$ <u>(8,924)</u>	\$ <u>(380,992)</u>

PERSON RESPONSIBLE: David Raiford
Theodore H. Czupik Jr.

Duke Energy Kentucky
Case No. 2020-00142
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Date Received: August 31, 2020

STAFF-DR-02-002

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 1, Attachment 7, pages 8-10 of 15, and Case No. 2015-00187, Order at page 5.²

a. Explain how the carrying charges shown in column 4 and the rate used to calculate those carrying charges are calculated prior to April 2018. Provide an Excel spreadsheet, unprotected and with formulas intact, showing how those carrying charges were calculated in each month and how the rate used to calculate the carrying charges in each month was calculated from the short-term debt rate, the long-term debt rate, and applicable return on equity.

b. Explain how the carrying charges shown in column 4 and the rate used to calculate those carrying charges are calculated after April 2018. Provide an Excel spreadsheet, unprotected and with formulas intact, showing how those carrying charges were calculated in each month and how the rate used to calculate the carrying charges in each month was calculated from the short-term debt rate, the long-term debt rate, and applicable return on equity.

c. Explain how the carrying charge calculation for each period complies with the calculation approved in Case No. 2015-00187, and if the carrying charge calculation

² Case No. 2015-00187, *Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Liabilities Associated with Ash Pond Asset Retirement Obligations* (Ky. PSC Dec. 15, 2015).

for each period does not comply with the method approved in Case No. 2015-00187, explain why it does not comply.

d. For any month in which the carrying charge was calculated using a method that was different than the method approved in Case No. 2015-00187, calculate the carrying charge using the method approved in that case. Provide an Excel spreadsheet, unprotected and with formulas intact, showing how those carrying charges were calculated in each month and how the rate used to calculate the carrying charges in each month was calculated from the short-term debt rate, the long-term debt rate, and applicable return on equity.

RESPONSE:

a. Prior to April 2018, the debt and equity rates utilized to calculate the carrying costs were based on the AFUDC (capitalized interest) rates each month. The balance upon which the rates of return (AFUDC rates) were applied included the actual settlement spend, less Cost of Removal reclasses. Please refer to tabs B-I within STAFF-DR-02-002 Attachment, which includes all historical return calculations for the periods prior to April 2018.

b. Beginning in April 2018, the rates utilized to calculate the carrying charges were Duke Energy Kentucky's approved weighted average cost of capital. Please refer to tabs B-I within STAFF-DR-02-002 Attachment, which includes all historical return calculations for the periods after April 2018.

c. Based upon the responses above, all carrying charge calculations during this time comply with the calculation approved in Case No. 2015-00187. Per the aforementioned Order, "the carrying costs will be based on Duke Kentucky's average cost of capital ("WACC"), calculated in a manner similar to its allowance for funds used during construction calculation ("AFUDC')." As such, given that the calculation prior to April

2018 was based on the AFUDC calculation, and beginning in April 2018 the calculation utilized the WACC, the calculation was in compliance with the order during each period.

d. As noted in the response to STAFF-DR-02-002(c) all months' carry charge calculations were done so in a method approved in Case No. 2015-00187. As such this question is not applicable.

PERSON RESPONSIBLE: David Raiford

2020-00142
STAFF-DR-02-002
ATTACHMENT
IS BEING FILED
ELECTRONICALLY DUE
TO SIZE

**Duke Energy Kentucky
Case No. 2020-00142
Staff First Set Data Requests
Date Received: August 31, 2020**

STAFF-DR-02-003

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 1, Attachment 7, pages 8 of 15. Provide an itemized explanation of the "Cash Spend" for each month shown in column 7, and explain why the "Cash Spend" fluctuated so significantly from month to month.

RESPONSE:

The monthly "cash spend" will typically fluctuate due to the nature of the activities that need to be completed in a given month. For example, the larger balances in April - July 2019 are driven by the fact that the closure of the East Bend basin was being undertaken during that time, thus leading to large overall spend. See STAFF-DR-02-003 Attachment for an itemization of cash spend by month.

PERSON RESPONSIBLE: David Raiford

Duke Energy Kentucky, Inc.
 Case No. 2020-00142
 Cash Spend Breakdown

<u>Description</u>	<u>Apr-18</u>	<u>May-18</u>	<u>Jun-18</u>	<u>Jul-18</u>	<u>Aug-18</u>	<u>Sep-18</u>	<u>Oct-18</u>	<u>Nov-18</u>	<u>Dec-18</u>	<u>Jan-19</u>
CCP - ARO ROUTINE MAINTENANCE	(1,092)	10,181	30,635	10,287	15,131	79,586	33,180	25,743	20,644	5,464
CCP - BASIN CLOSURE	127,104	33,412	31,160	74,941	290,924	84,621	36,732	150,098	178,883	88,597
CCP - CCR WELLS	426	1,064	55,376	61,918	(24,982)	9,560	650	2,404	12,329	-
CCP - LANDFILL	-	-	-	-	-	-	-	(2,498)	-	-
CCP - MISCELLANEOUS	1,685	21,515	8,030	23,275	5,954	4,159	23,815	791	10,762	40,104
EHS - ARO GROUNDWATER	38,453	22,607	20,444	15,551	26,055	88,738	(32,601)	50,463	29,542	29,905
EHS - ARO PERMITTING	6,424	11,455	5,256	10,613	8,733	8,471	8,110	11,427	10,877	13,926
	<u>173,000</u>	<u>100,234</u>	<u>150,901</u>	<u>196,585</u>	<u>321,815</u>	<u>275,135</u>	<u>69,886</u>	<u>238,428</u>	<u>263,037</u>	<u>177,996</u>

Duke Energy Kentucky, Inc.
 Case No. 2020-00142
 Cash Spend Breakdown

<u>Description</u>	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Total
CCP - ARO ROUTINE MAINTENANCE	8,342	9,917	177,672	141,803	111,389	21,379	40,259	105,435	845,955
CCP - BASIN CLOSURE	74,487	338,173	1,344,726	1,401,041	1,244,584	1,309,603	370,886	(116,106)	7,063,866
CCP - CCR WELLS	-	-	-	-	-	-	-	-	118,745
CCP - LANDFILL	-	-	-	-	-	-	-	-	(2,498)
CCP - MISCELLANEOUS	5,314	3,654	18,122	23,645	26,172	3,971	1,268	8,673	230,909
EHS - ARO GROUNDWATER	49,272	44,159	25,662	49,280	31,421	27,853	70,235	39,483	626,522
EHS - ARO PERMITTING	13,436	12,706	22,365	25,286	9,667	5,779	5,111	9,992	199,634
	150,851	408,609	1,588,547	1,641,055	1,423,233	1,368,585	487,759	47,477	9,083,133