

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 supplemental data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

*John R. Panizza*  
\_\_\_\_\_  
John R. Panizza Affiant

Subscribed and sworn to before me by John R. Panizza on this 23 day of March 2023.

*Virginia M. Adams*  
\_\_\_\_\_  
NOTARY PUBLIC  
My Commission Expires: 10/2/26



**KyPSC Case No. 2022-00372**  
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**Duke Energy Kentucky**  
**Case No. 2022-00372**  
**Attorney General's First Set Data Requests**  
**Date Received: January 11, 2023**

**FIRST SUPPLEMENTAL AG-DR-01-061**

**REQUEST:**

Refer to the Panizza Testimony at 6. Provide an update to the result of its negotiations with the Kentucky Department of Revenue for the 2022 tax year. Consider this an ongoing request.

**RESPONSE:**

A protest of value was filed with the Kentucky Department of Revenue (DOR) for the tax years of 2021 and 2022. The DOR and Duke Energy Kentucky have agreed in principal to a settlement agreement in establishing assessed values for those two years only. The assessed values are estimated to be finalized over the course of the next quarter as well as recording any associated tax savings. The settlements result in a tax savings position for the years of 2021 and 2022 only.

**PERSON RESPONSIBLE:** John R. Panizza

**Duke Energy Kentucky**  
**Case No. 2022-00372**  
**Attorney General's Second Set Data Requests**  
**Date Received: February 16, 2023**

**SUPPLEMENTAL AG-DR-02-040**

**REQUEST:**

Refer to the Spiller Testimony at 4, regarding the proposed roll in of rate base included in the environmental surcharge mechanism (“Rider ESM”) into base rates.

a. Provide an electronic copy of Duke Kentucky’s most recent environmental surcharge filing with the Commission in electronic format with all formulas intact. Duke Kentucky’s Environmental Surcharge Reports are not accessible in the Commission’s public records.

b. Provide a copy of Duke Kentucky’s Environmental Surcharge Report filed with the Commission on December 16, 2022, for the expense month of November 2022. Duke Kentucky’s Environmental Surcharge Reports are not accessible in the Commission’s public records.

c. Refer to the Environmental Surcharge Report filed with the Commission on December 16, 2022, for the expense month of November 2022, and specifically to the list of capital projects and costs incurred as reflected on ES Form 2.10. Confirm that these are the only plant-related projects that were rolled into the projected rate base amounts in the Company’s pending Application. If not confirmed, explain the response in detail.

d. Refer to the Environmental Surcharge Report filed with the Commission on December 16, 2022, for the expense month of November 2022, and specifically to the list of capital projects and costs incurred as reflected on ES Form 2.10. Confirm that all of these capital projects have been completed. If not confirmed, explain the response in detail.

e. Confirm that the recovery of costs through Rider ESM is done so using quantifications from historic period costs and not projected costs. If not confirmed, explain why not in detail.

f. Indicate whether the reduction in the Rider ESM recovery will be concurrent with the corresponding increase in base rates related to the roll in. If not, explain the response in detail.

g. Provide a calculation of the Rider ESM costs that have been included in the Company's projected test year revenue requirement showing all components of rate base (plant in service, accumulated depreciation, accumulated deferred income taxes ("ADIT"), other), all components of the return on rate base, all separate operating expenses, and any related gross-ups. In addition, provide citations to the Application schedules in which each of the various components of the cost of service were included.

h. Provide copies of all workpapers used to convert, or roll-forward, all historic costs included in the Rider ESM to the projected amounts in the test year, such as changes to the level of accumulated depreciation and ADIT.

**RESPONSE:**

a. N/A

b. N/A

c. N/A

d. N/A

e. N/A

f. N/A

g. Please see supplemental response to STAFF-DR-03-021 and STAFF-DR-03-021 Supplemental Attachment for a corrected calculation of the Rider ESM costs that

have been included in the Company's projected test year revenue requirement including citations to the Application schedules in which each of the various components of the cost of service were included. The first correction is the Grossed Up Weighted Average Cost of Capital of 9.35% should have been used in the original response to incorporate the income tax, Commission assessment fees, and bad debt expense impacts for the change in return on rate base. The second correction is the rate base change should have included the accumulated depreciation and deferred income tax impacts for the annualized depreciation adjustment impacted by the ESM depreciation change. The third correction is the depreciation and property tax expenses should have been grossed up for Commission assessment fees and bad debt expense.

The correct adjustment will reduce the revenue deficiency by \$9,938,525 instead of a reduction of \$12,075,851 from the original response..

h. N/A

**PERSON RESPONSIBLE:** Lisa D. Steinkuhl