

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL

The Attorney General, by and through the Office of Rate Intervention (Attorney General), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before January 7, 2019. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. Further, each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the 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.

The Attorney General shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which the Attorney General fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, the Attorney General shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Lane Kollen (Kollen Testimony), page 4, regarding the proposed roll-in of the Accelerated Service Line Replacement Program into base rates. Explain and provide the calculation of how the requested rate base increase would be reduced to approximately \$7.1 million, all else equal, if the Commission does not approve the Company's request.

2. Refer to the Kollen Testimony, page 11, regarding the calculation of cash working capital in Case No. 2017-00349.<sup>1</sup>

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<sup>1</sup> Case No. 2017-00349, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky. PSC May 3, 2018).

a. Provide support as to why it is inappropriate to include the revenue lag days with expense lag days of zero for the non-cash depreciation expense, deferred tax expense, and return on equity (ROE).

b. Provide a list of other state commissions and case numbers in which the inclusion of revenue lag days with expense large days of zero has been found inappropriate.

3. Refer to the Kollen Testimony, page 20, line 11. Provide a detailed explanation as to why 3 percent was chosen for merit increases.

4. Refer to the Kollen Testimony, beginning at page 26, and Duke Energy Kentucky, Inc.'s (Duke Kentucky) response to Commission Staff's Third Request for Information, Item 2, regarding 401(k) matchings costs for employees who also participate in a defined benefit plan. Confirm that the correct amount of this adjustment should be \$493,813 before gross-up, as provided in Duke Kentucky's response to Commission Staff's Second Request for Information, Item 5.e.

5. Refer to the Kollen Testimony Workpapers - Gross Revenue Conversion Factor Worksheet, line 14, and the Summary of Attorney General Recommendations. The gross revenue conversion factor worksheet does not appear to contain any amounts for bad debts but the summary lists a column entitled "B/D and PSC Gross-up" Confirm there is no bad debt provision in the gross-up.

6. Refer to the Kollen Testimony, page 35, line 16. Confirm that the revised projected issuance of \$35 million is to occur in December 2018, not December 2019.

7. Refer to the Kollen testimony, page 38, lines 11–12.

a. Provide support for the 0.125 percent reduction in the model ROE midpoint of 9.625 percent.

b. Provide examples of other state Commissions where the ROE was reduced by 0.125 percent, or by any other percent, due to the presence of a weather normalization clause.

8. Provide any necessary updates to the Kollen Testimony's Summary of Attorney General Recommendations, as well as Mr. Kollen's workpapers, that reflect all updated adjustments in the pending case, and provide an explanation of each updated adjustment.



Gwen R. Pinson  
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DATED DEC 20 2018

cc: Parties of Record

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