

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AN ORDER APPROVING)	CASE NO.
THE ESTABLISHMENT OF A REGULATORY)	2019-00352
ASSET OR LIABILITY ASSOCIATED WITH)	
PENSION SETTLEMENT ACCOUNTING)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. (Duke Kentucky), pursuant to 807 KAR 5:001, is to file with the Commission the original and an electronic version of its responses to the following information. The information requested herein is due on December 18, 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.

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.

Duke Kentucky shall make timely amendment to any prior response if Duke Kentucky 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 Duke Kentucky fails or refuses to furnish all or part of the requested information, Duke Kentucky 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 filing a paper containing personal information, Duke Kentucky 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 application, paragraph 8. Confirm that Duke Energy Corp. and Duke Kentucky will elect the same treatment of pension plan accounting. If this cannot be confirmed, identify and describe the differences.

2. Refer to the application, paragraph 17. Explain how Generally Accepted Accounting Principles qualify as a “statutory or administrative directive.”

3. Refer to Duke Kentucky’s response to Commission Staff’s First Request for Information (Staff’s First Request), Item 1.a. Provide copies of the actuarial statements referenced in the response.

4. Refer to Duke Kentucky’s response to Staff’s First Request, Item 1, Attachment and Accounting Standards Codification (ASC) 715-30-20 and 715-30-35-4.

a. Confirm that net periodic pension cost is based on the actual return on plan assets. If this cannot be confirmed, explain.

b. State whether the amounts provided for Items 1(a)(3) and 1(b)(3) are the expected or actual returns. If the amounts are the expected returns, provide the actual returns for the same periods.

5. Refer to Duke Kentucky's response to Staff's First Request, Item 3.a. Explain why it would not be reasonable to establish a regulatory asset/liability for the difference between the amount of pension expense in base rates and the actual amount of pension expense.

6. Refer to Duke Kentucky's response to Staff's First Request, Item 7. As originally requested, state the accounting policy Duke Kentucky is adopting for gains or losses from settlements when the cost of all settlements is less than or equal to the sum of the service and interest cost components of net periodic pension cost for the plan for the year.

7. Refer to Duke Kentucky's response to Staff's First Request, Item 7, and ASC 715-30-35-25. State whether Duke Kentucky utilizes the minimum amortization method. If not, provide the systematic method of amortizing gains and losses used by Duke Kentucky.

8. Refer to Duke Kentucky's response to Staff's First Request, Item 11, and the guidance letter issued in Federal Energy Regulatory Commission (FERC) Docket No. AI07-1-000. Confirm that the FERC guidance relates to the implementation of Statement of Financial Accounting Standards (SFAS) No. 158, not SFAS 87. If confirmed, identify

and explain the deferral authority Duke Kentucky has for all non-settlement aspects of its pension plan accounting.

9. Refer to Duke Kentucky's responses to Staff's First Request, Items 13.a. and 14.c. Provide the amounts and origination of Duke Kentucky's current regulatory assets for pension plan accounting as of December 31, 2018, and state whether Duke Kentucky is currently amortizing any of these regulatory assets.

10. Refer to Duke Kentucky's response to Staff's First Request, Item 13.b., and ASC 980-340-25-1.¹ Explain why it is appropriate to record a regulatory asset for amounts that will be expensed before they are included for rate recovery, i.e., amounts for which it is not probable that they will be included in a different period for the purpose of developing rates.

¹ ASC 980-340-25-1 provides, in full, as follows:

25-1 Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An entity shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met:

a. It is probable (as defined in Topic 450) that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes.

b. Based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

A cost that does not meet these asset recognition criteria at the date the cost is incurred shall be recognized as a regulatory asset when it does meet those criteria at a later date.


for Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
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DATED DEC 03 2019

cc: Parties of Record

Case No. 2019-00352

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