

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AN ORDER TO ENTER)	CASE NO.
INTO UP TO \$25,000,000 PRINCIPAL AMOUNT)	2022-00335
OF CAPITAL LEASE OBLIGATIONS)	

COMMISSION STAFF'S FIRST 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 an electronic version of the following information. The information requested is due on November 9, 2022. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 that indicates 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. 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, Method of Transacting Capital Leases, page 4. To effectuate a lease transaction in the case of existing property, Duke Kentucky will sell the property to a third-party finance lessor and simultaneously lease the property back from the lessor.

- a. Explain why Duke Kentucky would sell existing property to a third-party and lease it back.

b. Explain whether it makes a difference if the property/asset is already in rate base or not.

2. Refer to the Application, Method of Transacting Capital Leases, page 4.

a. Provide examples of the journal entries for the different leasing situations. In the case of an existing property lease back arrangement, explain the differences, if any, in journal entries for property that is and is not in rate base.

b. For each of the examples above, explain the specific advantages to Duke Kentucky and to Duke Kentucky's ratepayers from each set of transactions.

3. Refer to the Application, Related Agreements, page 4. Explain whether Duke Kentucky's affiliates are non-regulated or are they regulated affiliates in other states. If in other states, explain which of Duke Kentucky's regulated affiliates could be a part of these lease agreements.

4. Explain whether any of Duke Kentucky's other regulated affiliates have entered into capital lease agreements and, if so, which other affiliates and whether regulatory approval was required.

5. Refer to the Application, Exhibit A.

a. Explain how capital leasing can be used to fund construction expenditures.

b. Define "other general corporate purposes."

c. Explain whether the lessor could be a non-regulated Duke Kentucky affiliate.

6. Provide the number of times Duke Kentucky has solicited a capital lease since case the last capital lease case, Case No. 2020-00322.² Provide the type of assets, and an explanation of why Duke chose not to enter into a capital lease.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED OCT 21 2022

cc: Parties of Record

² Case No. 2020-00322, *Electronic Application of Duke Energy Kentucky, Inc. for an Order to Enter Into Up to \$25,000,000 Principal Amount of Capital Lease Obligations* (Ky. PSC Nov. 30, 2020).

*Debbie Gates
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

*Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45202

*Minna Sunderman
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

*Rocco O D'Ascenzo
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201