



Mailing Address:  
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**VIA OVERNIGHT DELIVERY**

June 30, 2016

Aaron Greenwell  
Deputy Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard, P.O. Box 615  
Frankfort, Kentucky 40602-0615

RECEIVED

JUL 01 2016

PUBLIC SERVICE  
COMMISSION

**Re:** *Case No. 2016-\_\_\_\_\_*  
*In the Matter of the Application of Duke Energy Kentucky, Inc., for an Adjustment to Rider ASRP Rates and for Tariff Approval.*

Dear Mr. Greenwell:

Enclosed please find an original and ten copies of the *Application of Duke Energy Kentucky, Inc. for an Adjustment to Rider ASRP Rates and for Tariff Approval*, for filing in the above referenced matter.

Feel free to contact me should you have any questions.

Sincerely,

Rocco D'Ascenzo  
Associate General Counsel  
[rocco.d'ascenzo@duke-energy.com](mailto:rocco.d'ascenzo@duke-energy.com)

cc: Rebecca W. Goodman (w/enclosures)

**COMMONWEALTH OF KENTUCKY  
BEFORE THE  
KENTUCKY PUBLIC SERVICE COMMISSION**

**RECEIVED**

**JUL 01 2016**

**PUBLIC SERVICE  
COMMISSION**

In the Matter of:

The Application of Duke Energy Kentucky, )  
Inc., for an Adjustment to Rider ASRP ) Case No. 2016-\_\_\_\_\_  
Rates and for Tariff Approval )

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**APPLICATION**

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Now comes Duke Energy Kentucky, Inc. (Duke Energy Kentucky or the Company), pursuant to KRS 278.030(1), 278.040(2), 278.509, 807 KAR 5:001, Section 14, and other applicable law, and hereby respectfully requests approval from the Kentucky Public Service Commission (Commission) of its accelerated service line replacement program (ASRP) cost recover mechanism (Rider ASRP) annual projections, charges and tariff. In support of this Application, Duke Energy Kentucky respectfully states as follows:

**Introduction**

1. Duke Energy Kentucky is an investor-owned utility engaged in the business of furnishing natural gas and electric services to various municipalities and unincorporated areas in Boone, Bracken, Campbell, Gallatin, Grant, Kenton, and Pendleton Counties in the Commonwealth of Kentucky.

2. Pursuant to 807 KAR 5:001, Section 14(2), Duke Energy Kentucky is a Kentucky corporation originally incorporated on March 20, 1901, in good standing, and a public utility as that term is defined in KRS 278.010(3), and, therefore, is subject to the Commission's jurisdiction.

3. Pursuant to 807 KAR 5:001, Section 14(1), Duke Energy Kentucky's business address is 139 East Fourth Street, Cincinnati, Ohio 45202. Duke Energy Kentucky's local office in Kentucky is Duke Energy Envision Center, 4580 Olympic Boulevard, Erlanger, Kentucky 41018.

4. Copies of all orders, pleadings and other communications related to this proceeding should be sent to:

Rocco O. D'Ascenzo  
Associate General Counsel  
Duke Energy Kentucky, Inc.  
139 E. 4<sup>th</sup> St., Cincinnati, OH 45202  
Rocco.D'Ascenzo@duke-energy.com  
[KYfilings@duke-energy.com](mailto:KYfilings@duke-energy.com)

5. The Commission approved the Company's ASRP initiative in Case No. 2015-00210 (ASRP Approval Case) on February 2, 2016. In its Order, the Commission ordered Duke Energy Kentucky to file its annual ASRP projections, and include a reconciliation of actual and projected costs, taking into account actual revenue recovered through the surcharge, Rider ASRP.<sup>1</sup> The Company is filing this Application to fulfill its commitment in the ASRP Approval Case.

6. The gas rates that Duke Energy Kentucky seeks to implement beginning January 2017 are reflected in the Company's tariff, Ky.P.S.C. Gas No. 5, Rider ASRP, Accelerated Service Line Replacement Program Rider, Original Sheet No. 63, as attached hereto as Exhibit 2.

7. Pursuant to the Commission's Order, Duke Energy Kentucky is including its ASRP projections for 2017, and reconciliation of actual and projected costs, taking

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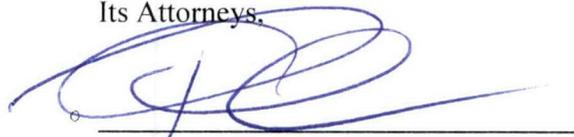
<sup>1</sup> *In the Matter of the Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Implementation of an Accelerated Service Line Replacement Program, Approval of Ownership of Service Lines, and a Gas Pipeline Replacement Surcharge, Order, Case No. 2015-00210 (Ky.P.S.C., February 19, 2016).*

into account actual revenue recovered through Rider ASRP. This information is attached hereto as Exhibit 1.

8. The tariff for which Duke Energy Kentucky is seeking approval for, is attached hereto as Exhibit 2.

**WHEREFORE**, Duke Energy Kentucky respectfully requests that its ASRP Rider annual projections be approved as requested herein.

Its Attorneys,



Rocco O. D'Ascenzo (92796)  
Associate General Counsel  
Amy B. Spiller (85309)  
Deputy General Counsel  
Duke Energy Business Services, LLC  
139 East Fourth Street, 1313 Main  
Cincinnati, Ohio 45201-0960  
Phone: (513) 287-4320  
Fax: (513) 287-4385  
e-mail:rocco.d'ascenzo@duke-energy.com  
e-mail:amy.spiller@duke-energy.com

**CERTIFICATE OF SERVICE**

This is to certify that a copy of the foregoing Application of Duke Energy Kentucky, Inc. has been served via overnight mail to the following party on this 30 day of June 2016.



Rocco O. D'Ascenzo

Rebecca W. Goodman  
Executive Director  
Office of Rate Intervention  
Office of the Attorney General  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204  
[Rebecca.Goodman@ky.gov](mailto:Rebecca.Goodman@ky.gov)

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**Forecasted Period Ending December 31, 2017**  
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**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**ASRP Rider by Rate Schedule**

<u>Line No.</u>	<u>Rate Schedule</u>	(A)	Weighted Customers- Services		Billing	Monthly
			Approved PSC	Revenue	Determinants	ASRP
			<u>Case No. 2009-202</u>	<u>Requirement</u>	<u># of Bills / CCF</u>	<u>Rider</u>
			(B)	(C)	(D)	(E)
1	RS- Residential		92.301%	\$ 1,524,736	1,082,302	\$ 1.41 Per Customer
2	GS - General Service		6.969%	115,122	82,525	\$ 1.39 Per Customer
3	FT - Firm Transportation (Includes DGS)		0.454%	7,500	20,583,780	\$ 0.00036 Per CCF
4	IT - Interruptible Transportation		0.276%	4,559	13,550,910	\$ 0.00034 Per CCF
5	Total		<u>100.000%</u>	<u>\$ 1,651,917</u>		

Residential charge per customer is under the \$2 cap for calendar year 2017

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**Forecasted ASRP Revenue Requirement for 2017**

<u>Line No.</u>	(A)	<u>ASRP Investment</u> <u>December 31, 2017</u>	(B)	<u>Reference</u>	
<b>Return on Investment</b>					
<b><u>Rate Base</u></b>					
1	Net ASRP Investment - Property, Plant and Equipment	\$	11,276,196	Form 2.2	
2	Cost of Removal		-	Form 2.2	
3	Accumulated Reserve for Depreciation		(200,252)	Form 2.0	
4	Net PP&E		<u>11,075,944</u>		
5	Accumulated Deferred Taxes on Liberalized Depreciation		(1,548,803)	Form 2.1	
6	Net Rate Base		9,527,141	Line 4 + Line 5	
7	Authorized Rate of Return, Adjusted for Income Taxes		10.117%	Form 1.2	
8	Required Return on ASRP Related Investment	\$	<u>963,851</u>	Line 6 * Line 7	
<b><u>Operating Expenses</u></b>					
9	Depreciation	\$	300,767	Form 2.0	
10	Property Tax		135,127	Line 4 * 1.220%	
11	O&M related to reconnaissance fees		230,000	Form 2.3	
12	O&M related to relocation of meters		18,966	Form 2.4	
13	PSC Assessment		3,206	(Sum Line 8 thru 12) * (0.1941% / (1-0.1941%))	
14	Total Operating Expenses		<u>688,066</u>	Sum Lines 9 thru 11	
15	<b><u>Total Annual Revenue Requirement</u></b>	\$	<u>1,651,917</u>	Line 8 + Line 12	

Notes:

- (1) Property taxes estimated using an effective rate of 1.22%
- (2) PSC Assessment using Fiscal Year 2017 rate of 0.1941%

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**Cost of Capital**

<u>Line No.</u>	<u>Capital Structure</u> (A)	<u>Ratio</u> (B)	<u>Cost</u> (C)	<u>Weighted Cost</u> (D)	<u>Pre-Tax @ Effect. Tax Rate of 38.47%</u> (E)
1	Short term Debt	5.609%	1.009%	0.057%	0.057%
2	Long term Debt	43.595%	4.703%	2.050%	2.050%
3	Equity	50.796%	9.700%	4.927%	8.010%
4	Total	100.000%		7.034%	10.117%

Capital structure and cost of debt as approved in Case No. 2009-202  
Return on equity as approved in settlement in Case No. 2015-210

Duke Energy Kentucky  
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")  
Depreciation

Line No.	Description (A)	Acct Number (B)	(C)	EQY 2016 (D)	Projected 2017 Additions												EQY 2017 (Q)
					Jan (E)	Feb (F)	Mar (G)	Apr (H)	May (I)	Jun (J)	Jul (K)	Aug (L)	Sep (M)	Oct (N)	Nov (O)	Dec (P)	
<b>Gas Plant Investments <sup>(1)</sup></b>																	
<b>Additions</b>																	
1	Service Lines	380		\$ 7,500,000	\$ 120,000	\$ 240,000	\$ 240,000	\$ 720,000	\$ 720,000	\$ 1,200,000	\$ 1,920,000	\$ 2,040,000	\$ 2,040,000	\$ 1,800,000	\$ 720,000	\$ 240,000	\$ 19,500,000
2	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Total Additions			\$ 7,500,000	\$ 120,000	\$ 240,000	\$ 240,000	\$ 720,000	\$ 720,000	\$ 1,200,000	\$ 1,920,000	\$ 2,040,000	\$ 2,040,000	\$ 1,800,000	\$ 720,000	\$ 240,000	\$ 19,500,000
<b>Retirements</b>																	
4	Service Lines	380		\$ (695,760)	\$ (11,132)	\$ (22,264)	\$ (22,264)	\$ (66,793)	\$ (66,793)	\$ (111,322)	\$ (178,115)	\$ (189,247)	\$ (189,247)	\$ (166,982)	\$ (66,793)	\$ (22,264)	\$ (1,808,976)
5	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Total Retirements			\$ (695,760)	\$ (11,132)	\$ (22,264)	\$ (22,264)	\$ (66,793)	\$ (66,793)	\$ (111,322)	\$ (178,115)	\$ (189,247)	\$ (189,247)	\$ (166,982)	\$ (66,793)	\$ (22,264)	\$ (1,808,976)
<b>Cost of Removal</b>																	
7	Service Lines	380		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Total Cost of removal			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Accumulated Depreciation Reserve</b>																	
<b>Additions</b>																	
9	Service Lines	380	2.80%	\$ 85,077	\$ 17,500	\$ 17,780	\$ 18,340	\$ 18,900	\$ 20,580	\$ 22,260	\$ 25,060	\$ 29,540	\$ 34,300	\$ 39,060	\$ 43,260	\$ 44,940	
10	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Total Additions			\$ 85,077	\$ 17,500	\$ 17,780	\$ 18,340	\$ 18,900	\$ 20,580	\$ 22,260	\$ 25,060	\$ 29,540	\$ 34,300	\$ 39,060	\$ 43,260	\$ 44,940	
<b>Retirements</b>																	
12	Service Lines	380	2.80%	\$ (7,892)	\$ (1,623)	\$ (1,649)	\$ (1,701)	\$ (1,753)	\$ (1,909)	\$ (2,065)	\$ (2,325)	\$ (2,740)	\$ (3,182)	\$ (3,624)	\$ (4,013)	\$ (4,169)	
13	Meter Installations	382		-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Total Retirements			\$ (7,892)	\$ (1,623)	\$ (1,649)	\$ (1,701)	\$ (1,753)	\$ (1,909)	\$ (2,065)	\$ (2,325)	\$ (2,740)	\$ (3,182)	\$ (3,624)	\$ (4,013)	\$ (4,169)	
15	<b>Total Accumulated Depreciation Reserve</b>			\$ 77,185	\$ 93,062	\$ 109,193	\$ 125,832	\$ 142,979	\$ 161,650	\$ 181,845	\$ 204,580	\$ 231,380	\$ 262,498	\$ 297,934	\$ 337,181	\$ 377,952	\$ 200,252

Notes:  
(1) See Form 2.2 for detail of 2017 ASRP eligible additions

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**Deferred Taxes on Liberalized Depreciation**

<u>Line No.</u>	(A)	(B)	Tax Year 2016	Tax Year 2017		<u>TOTAL</u>
			Vintage 2016 (C)	Vintage 2016 (D)	Vintage 2017 (E)	
1	Total ASRP Plant Additions		\$ 3,038,463.00	\$ 7,500,000.00	\$ 4,929,231.00	\$ 12,429,231.00
	Tax Base In-service subject to :					
2	Bonus Depreciation- 50%		3,038,463	7,500,000	4,929,231	12,429,231
3	MACRS		<u>1,519,232</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Tax Depreciation					
4	Bonus Depreciation- 50%		1,519,232	0	2,464,616	2,464,616
5	MACRS on Balance		56,971	270,713	92,423	363,136
6	Total Tax Depreciation		<u>1,576,203</u>	<u>270,713</u>	<u>2,557,039</u>	<u>2,827,752</u>
7	Book Depreciation		77,185	190,519	110,248	300,767
8	Tax Depreciation in Excess of Book Depreciation		1,499,018	80,194	2,446,791	2,526,985
9	Cost of Removal		0	0	0	-
10	Total Difference		<u>\$ 1,499,018</u>	<u>\$ 80,194</u>	<u>\$ 2,446,791</u>	<u>\$ 2,526,985</u>
11	Deferred Taxes @	38.47%	576,672	30,851	941,280	972,131
12						<u><u>\$ 1,548,803</u></u>

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**Thirteen Month Average Additions and Retirements**

**Test Year 12/31/17 ASRP Investment Summary**

<u>Line No.</u>	<u>Month</u> (A)	<u>Number of</u> <u>Months</u> (B)	<u>ASRP Capex</u>		<u>Retirements</u>		<u>Cost of Removal</u> (G)
			<u>By Month</u> (C)	<u>Cumulative</u> (D)	<u>By Month</u> (E)	<u>Cumulative</u> (F)	
1	Balance @ 12/31/2016	13		\$ 7,500,000		\$ (695,760)	\$ -
2	Jan-17	12	\$ 120,000	7,620,000	\$ (11,132)	(706,892)	0
3	Feb-17	11	240,000	7,860,000	(22,264)	(729,156)	0
4	Mar-17	10	240,000	8,100,000	(22,264)	(751,420)	0
5	Apr-17	9	720,000	8,820,000	(66,793)	(818,213)	0
6	May-17	8	720,000	9,540,000	(66,793)	(885,006)	0
7	Jun-17	7	1,200,000	10,740,000	(111,322)	(996,328)	0
8	Jul-17	6	1,920,000	12,660,000	(178,115)	(1,174,443)	0
9	Aug-17	5	2,040,000	14,700,000	(189,247)	(1,363,690)	0
10	Sep-17	4	2,040,000	16,740,000	(189,247)	(1,552,937)	0
11	Oct-17	3	1,800,000	18,540,000	(166,982)	(1,719,919)	0
12	Nov-17	2	720,000	19,260,000	(66,793)	(1,786,712)	0
13	Dec-17	1	240,000	19,500,000	(22,264)	(1,808,976)	0
				161,580,000		(14,989,452)	0
14	Number of months			13		13	13
15	13 Month Average		\$	12,429,231		\$ (1,153,035)	\$ -

Duke Energy Kentucky  
Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")  
O&M - Reconnaissance

Test Year 12/31/17 Reconnaissance O&M

<u>Line No.</u>	<u>Month</u> (A)	<u>ASRP O&amp;M 2017</u> (B)
1	Jan-17	\$ 2,300
2	Feb-17	4,600
3	Mar-17	4,600
4	Apr-17	13,800
5	May-17	13,800
6	Jun-17	23,000
7	Jul-17	36,800
8	Aug-17	39,100
9	Sep-17	39,100
10	Oct-17	34,500
11	Nov-17	13,800
12	Dec-17	4,600
13	Total	<u>\$ 230,000</u>

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**O&M Meter Relocation**

**Test Year 12/31/17 ASRP Meter Relocation O&M**

<u>Line No.</u>	<u>Month</u> (A)	<u>ASRP O&amp;M 2017</u> (B)
1	Jan-17	\$ 190
2	Feb-17	379
3	Mar-17	379
4	Apr-17	1,138
5	May-17	1,138
6	Jun-17	1,897
7	Jul-17	3,035
8	Aug-17	3,224
9	Sep-17	3,224
10	Oct-17	2,845
11	Nov-17	1,138
12	Dec-17	379
13	Total	<u>\$ 18,966</u>

**Duke Energy Kentucky**  
**Annual Adjustment to the Accelerated Service Line Replacement Program ("ASRP")**  
**ASRP Rider Billing Determinants by Rate Schedule**  
**for the Twelve Month Ending April 30, 2016**

<u>Line No.</u>	<u>Rate Schedule</u> (A)	<u>May-15</u> (B)	<u>Jun-15</u> (C)	<u>Jul-15</u> (D)	<u>Aug-15</u> (E)	<u>Sep-15</u> (F)	<u>Oct-15</u> (G)	<u>Nov-15</u> (H)	<u>Dec-15</u> (I)	<u>Jan-16</u> (J)	<u>Feb-16</u> (K)	<u>Mar-16</u> (L)	<u>Apr-16</u> (M)	<u>Total</u> (N)
1	RS- Residential (Number of Customers)	89,639	89,722	89,590	89,408	89,444	89,646	89,916	90,843	90,566	91,093	91,344	91,091	1,082,302
2	GS - General Service (Number of Customers)	6,813	6,715	6,706	6,658	6,651	6,735	6,895	7,039	7,074	7,096	7,112	7,031	82,525
3	FT - Firm Transportation (CCF)	1,537,980	1,260,700	1,226,270	1,172,450	1,263,770	1,269,360	1,463,240	1,760,200	2,047,140	2,960,940	2,549,730	2,072,000	20,583,780
4	IT - Interruptible Transportation (CCF)	923,820	1,033,750	1,070,110	1,097,330	1,151,670	991,290	1,131,440	1,158,570	1,261,360	1,342,340	1,209,210	1,180,020	13,550,910

Duke Energy Kentucky, Inc.  
4580 Olympic Blvd.  
Erlanger, Kentucky 41018

Ky. P.S.C. Gas No. 2  
First Revised Sheet No. 63  
Cancelling and Superseding  
Original Sheet No. 63  
Page 1 of 1

**RIDER ASRP**

**ACCELERATED SERVICE REPLACEMENT PROGRAM RIDER**

**APPLICABILITY**

Applicable to all customers receiving service under the Company's sales and transportation rate schedules.

**CALCULATION OF ACCELERATED SERVICE REPLACEMENT RIDER REVENUE REQUIREMENT**

The ASRP Rider revenue requirement includes the following:

- a. ASRP-related Plant In-Service not included in base gas rates minus the associated ASRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to ASRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital, using the capital structure and debt rates from the most recent base gas rate case and using a 9.7% ROE, grossed up for federal and state income taxes;
- d. Depreciation expense on the ASRP-related Plant In-Service less retirements and removals;
- e. Property taxes related to ASRP and;
- f. Operation and Maintenance Costs for reconnaissance and relocation of meters.

**ACCELERATED SERVICE REPLACEMENT PROGRAM FACTORS**

All customers receiving service under Rate RS and Rate GS shall be assessed a separate monthly charge that will enable the Company to complete the service replacement program. This monthly charge is in addition to the Customer Charge component of their applicable rate schedule, as well as any other applicable monthly charges. Customers receiving service under Rate DGS, Rate FT-L, Rate IT and Rate SSIT will be assessed a separate throughput charge in addition to their commodity delivery charge, for that purpose.

Rider ASRP will be updated annually, to reflect the anticipated impact on the Company's revenue requirements of net plant additions and projected operations and maintenance expense during the upcoming calendar year. Such adjustments to the Rider will become effective with the first billing cycle of January, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission. After each year, the Company will submit a balancing adjustment to true-up the actual costs with the projected program costs for the preceding year. Any balancing adjustment will become effective with the first billing cycle on or after the effective date of the change.

The charges for the respective gas service schedules for the revenue month beginning January 2017 is: (T)

Rate RS, Residential Service	\$1.41/month	(I)
Rate GS, General Service	\$1.39/month	(I)
Rate DGS, Distributed Generation Service	\$0.00036/CCF	(I)
Rate FT-L, Firm Transportation Service – Large	\$0.00036/CCF	(I)
Rate IT, Interruptible Transportation Service	\$0.00034/CCF	(I)
Rate SSIT, Spark Spread Interruptible Transportation Rate	\$0.00034/CCF	(I)