COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR (1) AN ADJUSTMENT OF ELECTRIC RATES; (2) APPROVAL OF NEW TARIFFS; (3) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND (4) ALL OTHER REQUIRED APPROVALS AND RELIEF	)	CASE NO. 2022-00372

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

Duke Energy Kentucky, Inc. (Duke Kentucky), pursuant to 807 KAR 5:001E, is to file with the Commission an electronic version of the following information. The information requested is due on January 25, 2023. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085[1] 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

[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).

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 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 and scanned 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 5:001E, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, page 15, paragraphs 25–26.

a. Explain why these costs qualify for regulatory asset treatment.

b. Explain whether Duke Kentucky proposes that the revenues associated with these tariffs will also be deferred. If not, explain why not.

2. Refer to the Direct Testimony of Amy B. Spiller (Spiller Direct Testimony), page 4, lines 4–5, in which Duke Kentucky states that it is proposing to revise the fuel adjustment clause (FAC) mechanism to reduce volatility in customer rates.

a. Explain why there are no proposed tariff sheet revisions to Rider FAC filed in the application.

b. Explain why proposed revisions to Rider FAC were not included in the customer notice.

3. Refer to the Spiller Direct Testimony, page 5, lines 12–14. The testimony indicates that Duke Kentucky is increasingly serving customers with underground facilities.

a. Provide the annual percentage amount of transmission and distribution facilities that Duke Kentucky has transitioned from above to below ground for the past five years.

b. Provide the percentage amount of transmission and distribution facilities that Duke Kentucky forecasts will be transitioned from above to below ground during the forecast year.

4. Refer to the Spiller Direct Testimony, page 30, line 1 through page 34, line 9, in which Duke Kentucky's updates to its local government fee tariff and the creation of the incremental local investment charge are discussed. Also, refer to the Commission's January 13, 2021 Order in Case No. 2020-00174,[2] in which the Commission denied

[2] Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021), Order at 95–96 and 103–104.

similar revisions proposed by Kentucky Power Company (Kentucky Power). Explain how Duke Kentucky's proposals differ from Kentucky Power's proposals and explain why such differences warrant approval.

5. Refer to the Spiller Direct Testimony, Attachments ABS-4 and ABS-5. Explain whether either of these ordinances were passed by the city of Covington. If not, provide an update on the status of the proposed ordinance.

6. Refer to the Direct Testimony of Christopher R. Bauer (Bauer Direct Testimony), page 13.

a. Referring to lines 1–2, explain whether other Duke Energy regulated affiliates have been unable to issue debt in the private markets and, if so, identify who issued the debt in each transaction.

b. Referring to lines 9–10. Due to the private markets being less liquid, explain whether the interest rates paid are higher than in the public markets. If so, describe how this impacts the expense related to the debt.

c. Explain why Duke Kentucky prefers to issue debt through the private markets as opposed to the public markets.

d. Explain what the public markets are and how they function relative to the private markets, including differences in federal and state regulation.

e. Explain how the public markets are taxable debt markets and the private markets are non-taxable.

7. Refer to the Bauer Direct Testimony, page 18 and Volume 10, Schedule J-2, pages 1–2.

a. Explain how the sale of accounts receivable works and why that is considered a short-term debt. Include in the response whether a corporate parent or affiliate is purchasing the accounts receivable.

b. Refer to page 18, lines 1–2 of the Bauer Direct Testimony. Explain the how the addition of the 85-basis points was derived and why it is appropriate to add that to the one-month Term Secured Overnight Financing Rate (SOFR).

c. Explain why the SOFR rate is applied to the sale of accounts receivable and not the one-month London Interbank Offered Rate (LIBOR).

d. For the two loans listed under the heading Current Maturities, explain whether the listed interest rates are those that Duke Kentucky is actually paying. If not, explain how the interest rates were derived and provide any supporting documentation.

8. Refer to the Bauer Direct Testimony, page 18, lines 13–14 and Volume 10, Schedule J-2, pages 1-2. Explain why the LIBOR rate is applicable to notes payable to associated companies.

9. Refer to the Bauer Direct Testimony, page 18, lines 15–23, page 19, line 1 and Volume 10, Schedule J-3, pages 1–2.

a. Explain the Bloomberg implied forward curve and whether there are other forecasted forward rates that could have been used. If there are other forecasted forward rates, explain why they were not utilized.

b. For the base and forecast period for long term commercial paper, explain why the 25-basis point spread is added to the interest rate and why that is appropriate.

c. For the expected $130 million, explain the appropriateness of using a weighted average of 5-year, 10-year, and 30-year Treasury rates plus the respective basis point adders. Include in the response how each respective adder was derived.

d. Duke Kentucky has a $65 million debenture at a 6.2 percent interest rate. Explain why this was not refinanced in the past two years at a lower interest rate.

10. Refer to the Direct Testimony of Jacob S. Colley (Colley Direct Testimony), page 14, line 10–14, in which the proposed change to the late payment charge is discussed.

a. Explain whether gas customers who pay late will still be charged the 5 percent late payment penalty for the portion of their bill pertaining to gas.

b. Explain whether any adjustment to Miscellaneous Service Revenues was made for the reduction in the late payment charge. If so, provide the adjustment and how it was calculated. If not, explain why not.

11. Refer to the Colley Direct Testimony, Attachment JSC-1.

a. Explain whether the information in Attachment JSC-1 pertains solely to residential late paying customers. If so, explain why non-residential late paying customer information was not included given that Duke Kentucky is proposing to reduce the non-residential late payment penalty to 2.3 percent.

b. Provide a detailed explanation of how the average monthly carrying cost per late paying account was calculated.

c. Provide a detailed explanation of how the phone cost per minute of $0.92 was calculated.

d. Explain whether the estimated total call handle time (in minutes) only includes time spent corresponding with late paying customers or if it also includes time spent corresponding with all customers.

12. Refer to the Direct Testimony of Cormack C. Gordon (Gordon Direct Testimony), page 4 and Attachment CCG-2. Explain how the electric vehicle counts were forecasted.

13. Refer to the Gordon Direct Testimony, page 5 and Attachments CCG-3 and CCG-4.

a. Explain which provisions are intended to encourage electric vehicle adoption for apartment and condominium complexes.

b. Explain whether a charger rented under Electric Vehicle Supply Equipment (EVSE) will be able to be billed to third party users if installed in a shared space.

14. Refer to the Gordon Direct Testimony, page 11, line 20 through page 12, line 2, in which it is stated that the Make Ready Credit and Electric Vehicle Supply Equipment programs will deliver a benefit to all utility customers by lowering the per unit cost of electricity associated with new electric vehicle charging load. Explain this statement.

15. Refer to the Gordon Direct Testimony, page 14, lines 12–14, page 17, lines 12–15, and page 18, lines 10–20. Explain why Duke Kentucky chose the estimated aggregate increase in electric revenue for the first three years following the installation of the charger as the appropriate target for the Make Ready Credit.

16. Refer to the Gordon Direct Testimony, page 15, lines 4–6, in which it is stated that demonstrated costs shall not include any amounts for which the customer expects coverage or reimbursement from a third-party funding source. Explain how Duke Kentucky will confirm that the amounts submitted by the customer were not covered or reimbursed from a third-party source.

17. Refer to the Gordon Direct Testimony, page 19, lines 12–20. Explain why the Make Ready Credit program was not proposed as a demand side management program.

18. Refer to the Gordon Direct Testimony, page 20. For each credit amount, provide the total estimated cost of the make ready work and the charger.

19. Refer to the Gordon Direct Testimony, Attachment CCG-3 and CCG-4, page 1, section 1.1.

a. Provide examples of facilities that will be available under the "Extra Facilities" clause.

b. Explain the ownership and maintenance responsibilities for these facilities.

20. Refer to the Direct Testimony of Sarah E. Lawler (Lawler Direct Testimony), page 5. Provide the expected remaining net book value and supporting calculations for East Bend and Woodsdale at their currently expected retirement dates if they are depreciated at the current rates and if they are depreciated at the proposed rates.

21. Refer to the Lawler Direct Testimony, page 14, lines 21–22.

a. Explain how Duke Kentucky's proposed changes to its Rider FAC mechanism comply with 807 KAR 5:056, Section 1(3) which states that "Fuel costs (F) shall be the most recent actual monthly cost, based on weighted average inventory costing".

b. Also, refer to the Commission's April 27, 2020 Order in Case No. 2019-00271.[3] In that April 27, 2020 Order, the Commission denied Duke Kentucky's proposed modifications to its Rider FAC mechanism that would change the rate calculation from a monthly basis to a rolling twelve-month average. Is this the same change to its Rider FAC in this case as was proposed in Case No. 2019-00271? If so, explain the factors that led to Duke Kentucky proposing the same change to its Rider FAC in this case given that the Commission denied Duke Kentucky's previous proposal based on the FAC regulation pursuant to 807 KAR 5:056, Section 1. If it is not the same change, please explain the differences.

22. Refer to the Direct Testimony of Paul Normand (Normand Direct Testimony) and Schedule B-5.1. Confirm that the lead/lag study does not include non-cash expenses.

23. Refer to the Direct Testimony of Joshua Nowak (Nowak Direct Testimony), page 22, Figure 4, and Attachment JCN-6: CAPM 2. Duke Energy Corporation Beta values as of October 2022 are 0.85 from Value Line and 0.733 from Bloomberg. OGE Energy Corporation's (OGE) Beta value is 1.05 from Value Line and 0.93 from Bloomberg. This stock appears to be significantly more volatile than Duke Energy Corporation's stock, which may indicate that the market perceives something about OGE

[3] Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. For 1) An Adjustment Of The Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices To Establish Regulatory Assets And Liabilities; And 4) All Other Required Approvals And Relief* (Ky. PSC Apr, 27, 2020) at 63.

that is not present in Duke Energy Corporation and that is not captured in the proxy group selection criteria. Explain why OGE should remain in the proxy group.

24. Refer to the Nowak Direct Testimony, page 32, lines 5–7 and Attachment JCN-4. Attachment JCN-4 provides earnings growth rates coming from Value Line, Yahoo! Finance, and Zacks. The testimony lists Thompson First Call, not Yahoo! Finance. Explain the difference and provide an updated analysis, if necessary.

25. Refer to the Nowak Direct Testimony, page 4, Figure 1, and page 33, Figure 6. Explain how the mean and median DCF results in Figure 1 are derived from the DCF results in Figure 6.

26. Refer to the Nowak Testimony, page 36 and Attachment JCN-6: CAPM 2.

a. Footnote 2 referenced in Column O in Attachment JCN-6: CAPM 2 states that Bloomberg Beta values are derived from five years of weekly data based on the S&P 500 Index, but Attachment JCN-6: CAPM 2 does not explain what the Value Line Beta values are based upon. The testimony states that Bloomberg Beta values are based on ten years of weekly data based on the S&P 500 Index and that Value Line Beta values are based on five years of weekly data based upon the New York Stock Exchange Composite Index. Provide the source documentation explaining the derivation of both Value Line and Bloomberg Beta values and provide an update to the footnotes in Attachment JCN-6: CAPM 2.

b. Provide the number of companies comprising the New York Stock Exchange Composite Index.

c. In addition to Value Line and Bloomberg Beta values, explain why Yahoo! Finance Beta values, once adjusted, should not also be included in CAPM and risk premium analyses.

d. Provide an update to all analyses that include Yahoo! Finance adjusted Betas.

27. Refer to the Nowak Direct Testimony, page 37 and Attachment JCN-6: CAPM 2.

a. Explain why it is not inconsistent to use a Value Line Beat value, which is based upon the broader New York Stock Exchange Composite Index, and a market risk premium based on the much narrower S&P 500 market.

b. Explain what the market risk premium would be if the broader New York Stock Exchange Composite Index were used as the market proxy and provide an update to the CAPM analyses using the New York Stock Exchange Composite Index with the Value Line Beta values.

c. For rate making purposes for state regulated electric utilities, explain why the FERC method of limiting growth rates to between 0 and 20 percent is reasonable.

28. Refer to the Nowak Direct Testimony, page 39, lines 1–5 and page 40, Figure 8. The figure appears to show a downward trend, and a fairly wide variance in the data points, and the R^2 coefficient is only 0.82. For rate making purposes, explain the validity of using historical authorized returns for vertically integrated electric utilities relative to 30-year Treasuries for Return on Equity (ROE) analyses.

29. Refer to the Direct Testimony of Scott Park (Park Direct Testimony) page 4, lines 15–20.

a. Provide the maximum capital and operation costs per kW and kWh for a Firm Dispatchable Resource for which East Bend would be retired under Duke Kentucky's analysis.

b. Provide the projected capital and operation costs of East Bend used in Duke Kentucky's analysis.

c. Provide the projected capital and operation costs for resource types that exhibit the required characteristics.

30. Refer to the Park Direct Testimony, page 8, lines 16-19. Explain how Duke Kentucky forecasted fuel prices, and provide and explain any supporting documentation.

31. Refer to the Direct Testimony of Lisa M. Quilici (Quilici Direct Testimony), pages 6–13.

a. Explain how the original and revised expected life of East Bend compares to other coal plants recently retired or expected to be retired in Kentucky. Provide any supporting documentation.

b. Identify and describe any new environmental regulations, including additional requirements added to existing regulations, that Duke Kentucky expects will become effective and apply to East Bend in the next 15 years; identify when Duke Kentucky expects each such regulation or requirement to become effective; and explain each basis for Duke Kentucky's response.

32. Refer to the Direct Testimony of Bruce L. Sailers (Sailers Direct Testimony), page 14, lines 7–17, in which the revisions to the traffic lighting rate schedule are discussed.

a. Confirm that the customer will be responsible for the maintenance of traffic lights if the proposed changes are approved.

b. Explain how this change will be beneficial to the customers served under the traffic lighting rate schedule.

c. Explain how the company maintenance option causes confusion and delay when traffic signals require repair.

33. Refer to the Sailers Direct Testimony, page 25, lines 14–21, in which changes to Rider LM, Load Management Rider, are discussed. Explain how the proposed revision will limit the avoidance of demand charges for off-peak demand.

34. Refer to the Sailers Direct Testimony, page 26, lines 25–26, in which Duke Kentucky states that the resulting rate net of the discount provided must cover the marginal cost to provide service to the customer. Explain the statement and provide any calculations and supporting documentation.

35. Refer to the Sailers Direct Testimony, page 27, lines 15–21, in which the changes to the Green Source Advantage Rider are discussed. Explain how revising the limit on the maximum annual amount of renewable capacity from 125 percent of the customer's maximum annual demand to 100 percent of the customer's annual energy consumption allows the customer to more closely match their total annual consumption with total annual generation from renewable resources. Provide any calculations and supporting documentation.

36. Refer to the Sailers Direct Testimony, page 29, lines 8–15, in which the changes to the Local Government Fee tariff are discussed. Explain the distinctions in the items that will be addressed through the Local Government Fee tariff and the Incremental

Local Investment Charge tariff. Provide specific examples of each difference, and provide supporting documentation as to the necessity of each item.

37. Refer to the Sailers Direct Testimony, Confidential Attachment BLS-6.

a. Explain, in detail, the process that the vendor performs in order to remotely reconnect service.

b. Explain, in detail, the process that a Duke Kentucky employee performs in order to remotely reconnect service.

c. Explain the circumstances under which the vendor would perform the remote reconnection.

d. Explain the circumstances under which a Duke Kentucky employee would perform the reconnection.

e. Explain how the amount for each component was derived and provide any supporting documentation.

38. Refer to the Direct Testimony of Lisa D. Steinkuhl (Steinkuhl Direct Testimony), page 16, line 14 through page 17, line 2.

a. Refer to KRS 278.183, Section 2, which states, in relevant part, “Recovery of costs … that are not already included in existing rates shall be by environmental surcharge to existing rates imposed as a positive or negative adjustment to customer bills in the second month following the month in which costs are incurred.” Explain why Duke Kentucky is proposing to incorporate forecasted environmental surcharge costs into base rates.

b. Refer to KRS 278.183, Section 3, which states, in relevant part, “Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall … to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of each utility." Explain why Duke Kentucky is proposing to incorporate its historic environmental surcharge costs into base rates.

39. Refer to Schedule L-1, page 113, Rider FAC, Fuel Adjustment Clause. Also, refer to Duke Kentucky's current tariff on file with the Commission, KY. P.S.C. Electric No. 2, Eleventh Revised Sheet No. 80, page 2. Confirm that no changes have been proposed to this page.

40. Refer to Schedule L-1, pages 152–153, Charges for Reconnection of Service.

a. Provide detailed cost support for the non-remote $60 and the $125 reconnection fees.

b. Provide detailed cost support for the additional $40 fee for after-hours non-remote reconnections.

c. Explain whether Duke employees or outside contractors perform non-remote reconnections. If both, explain the circumstances under which each would perform a non-remote reconnection, and for the previous two calendar years, provide the percentage of non-remote reconnections performed by each.

d. Provide detailed cost support for the $60 collection charge.

e. Explain whether Duke Kentucky charges a disconnect fee when service is actually disconnected.

41. Refer to Schedule L-2.2, page 8 of 152, Section III, Customer's Installations.

a. Define what Duke Kentucky would consider a material change or increase in a customer's installation.

b. Explain what types of upgrades or rearrangement could be required to Duke Kentucky's facilities to accommodate a customer's desired change in installation.

c. Explain who is currently responsible for the costs of upgrades or rearrangement to Duke Kentucky's facilities to accommodate a customer's desired change in installation. Provide any supporting documentation for the response.

42. Refer to Schedule L-2.2, page 39, Rider GTM, Generation Asset True Up Mechanism. Explain why Rider GTM is being proposed at this time.

43. Refer to Schedule L-2.2, page 45, Rate SL, Street Lighting Service. Explain why the time to replace burned out lamps is being revised from within 48 hours after notification by the customer to within three (3) business days after notification by the customer.

44. Refer to Schedule L-2.2, page 50, in which Duke Kentucky proposes to require a customer who is transferred from Rate SL to Rate LED due to their street lighting unit reaching the end of its life or becoming obsolete to enter into a new agreement within 90 days of being transferred to Rate LED.

a. Explain why a new agreement would be required in such instances.

b. Explain how Duke Kentucky will determine when a lighting unit or pole has reached the end of its life or has become obsolete.

c. Explain how Duke Kentucky determined 90 days to be the appropriate time period.

d. How many unique customers does Duke Kentucky provide service to under the Rate SL?

e. Does Duke Kentucky enter into agreements to provide service under Rate SL for each individual fixture, or does a customer have multiple fixtures under the agreement?

45. Refer to Schedule L-2.2, page 55, in which Duke Kentucky proposes to add language indicating that the monthly maintenance charge does not cover replacement of the fixture upon failure. Explain the reasoning for this change.

46. Refer to Schedule L-2.2, page 68, Rate LED, LED Outdoor Lighting Electric Service. Provide cost support for the additional facilities charge of 0.8617 percent.

47. Refer to Schedule L-2.2, page 82, Rider X, Line Extension Policy.

a. Explain why Duke Kentucky is proposing to revise its line extension policy to include material changes to a customer's installation.

b. Explain what constitutes a material change to a customer's installation.

c. Explain under what circumstances Duke Kentucky would determine that an early termination charge is not required.

d. Provide the cite to the Federal Energy Regulatory Commission (FERC) rules regarding changes to or extension of transmission facilities, and explain when the distribution line extension policy will apply for such changes or extensions.

e. Explain why the guarantee period is being revised from 5 to 10 years.

48. Refer to Schedule L-2.2, page 100, Rate EVSE, Electric Vehicle Service Equipment.

a. Provide detailed cost support for the EVSE Extra Facilities charge of 2.7 percent per month of the estimated original installed cost for non-standard level 2 facilities.

b. Provide detailed cost support for the EVSE Extra Facilities charge of 1.8 percent per month of the estimated original installed cost for non-standard DCFC extra facilities.

c. Provide detailed cost support for the $140 per hour after-hours service charge for EVSE maintenance.

49. Refer to Schedule L-2.2, page 101, Rate EVSE, Electric Vehicle Service Equipment.

a. Provide detailed cost support for the $100 per removal/move fee for residential Level 2 EVSE.

b. Provide detailed cost support for the $165 per removal/move fee for non-residential Level 2 EVSE.

50. Refer to Schedule L-2.2, page 104, Rider DIR, Development Incentive Rider.

a. Explain why the minimum load factor criterion is being reduced from 40 percent to 35 percent.

b. Explain why the additional workforce criterion is being reduced from a minimum of 25 new jobs to a minimum of 10 new jobs.

51. Refer to Schedule L-2.2, page 106, which indicates that Duke Kentucky will provide a monthly bill reduction to customers taking service under Rider DIR for a period of up to sixty (60) months. Also, refer to Schedule L-2.2, page 107, which indicates that

customers taking service under Rider DIR must continue to take service from Duke Kentucky for a period of at least 2 years following the discount period. Finally, refer to the Commission's September 24, 1990 Order in Administrative Case No. 327[4], finding number 14, which states in part that the term of an Economic Development Rate contract should be for a period twice the length of the discount period. Explain how Duke Kentucky's proposal complies with finding number 14 of the Commission's September 24, 1990 Order in Administrative Case No. 327.

52. Refer to Schedule L-2.2, page 115, in which Duke Kentucky adds language indicating that it may transfer RECs at the prevailing wholesale market prices to and from third parties, including affiliated companies. Explain the reasoning for this additional language.

53. Refer to Schedule L-2.2, page 115, in which Duke Kentucky adds language stating that if a change to Rider GP reflects a decrease in pricing, no advance notice to the Public Service Commission is required.

a. Explain when and how Duke Kentucky would provide notice to the Public Service Commission if there was a decrease in pricing to Rider GP.

b. Confirm that Duke Kentucky would still provide 60 days advance notice to the Public Service Commission if it were to terminate Rider GP.

54. Refer to Schedule L-2.2, pages 150, sample bill format. Explain why the late payment charge is listed as 5 percent when Duke is proposing to reduce it to 2.3 percent in this proceeding.

---

[4] Administrative Case No. 327, *An Electronic Investigation into the Implementation of Economic Development Rates by Electric and Gas Utilities.*

55. Refer to Schedule M, page 1 of 1, Revenues at Present and Proposed Rates for the Twelve Months Ended June 30, 2024.

a. Explain how Duke Kentucky arrived at the amount of $43,500 and $58,092 for the bad check charges and reconnection charges, respectively, for the revenue at present rates and provide any supporting documentation and calculations.

b. Explain whether any revenue from collection charges are included in this schedule. If so, provide the amount and explain how the amount was derived. Provide supporting documentation.

56. Refer to Duke Kentucky's Response to Staff First Request, Item 56, STAFF-DR-01-056_Attachment_-_KPSC_Elec_SFRs_-_2022.xlsx at tab "WPB-6's." Refer also to the Direct Testimony of John R. Panizza (Panizza Direct Testimony) at pages 4–6.

a. Explain, in detail, how Duke Kentucky calculated the amortization of electric "protected EDIT" using the Average Rate Assumption Method (ARAM) during the base and forecasted periods including: (1) when it last calculated the amortization using ARAM based on actual, historical numbers; (2) how it projected the ARAM amortization into the forecasted period; and (3) how it projected any changes to the ARAM amortization during the forecasted period.

b. Provide the actual balance of electric "protected EDIT" as of March 31, 2020, and as of the end of each month, thereafter, through March 31, 2021 calculated using actual, historical information regarding Duke Kentucky's plant and timing differences.

c. Provide the maximum amortization of electric "protected EDIT" allowed using ARAM in each month from April 2020 through March 2021 calculated using actual, historical information regarding Duke Kentucky's plant and timing differences.

d. Provide the actual balance of electric "unprotected EDIT" as of March 31, 2020.

e. Provide the sum of the amortization of unprotected and protected electric EDIT in each month of the forecasted period in Case No. 2019-00271[5] as used to calculate the revenue requirement in that case.

57. Refer to the Commission's December 28, 2021 Order in Case No. 2021-00190[6], ordering paragraph 17, in which the Commission ordered the following: "Duke Kentucky shall make revisions to its billing system to allocate the reconnection fees of combination electric and gas customers in accordance with each tariff." Explain whether Duke Kentucky has made the necessary revisions to its billing system to properly allocate reconnection fees of combination electric and gas customers. If so, explain the revisions that have been made. If not, explain why not.

---

[5] Case No. 2019-00271, *Electric Application of Duke Energy Kentucky, Inc. for 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020), final Order.

[6] Case No. 2021-00190, *Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Natural Gas Rates; 2) Approval of New Tariffs, and 3) All Other Required Approvals, Waivers, and Relief* (Ky. PSC Dec. 28, 2021).

58. Refer to Commission Case No. 2017-00321[7] and 2019-00271[8]. In both of Duke Kentucky's last two rate cases, an updated depreciation study was completed that supported the proposal of new depreciable lives for Duke Kentucky's assets. Confirm if Duke Kentucky's practice will be to complete a depreciation study prior to each base rate case that will take place prior to the retirement of the East Bend and Woodsdale generation facilities.

59. Refer to the Direct Testimony of John Spanos (Spanos Direct Testimony), Attachment JJS-1, 2021 Depreciation Study, page 7. Provide a comparison of the current depreciation rates and the proposed depreciation rates.

60. Refer to the Lawler Direct Testimony, page 19. Duke Kentucky supports its proposal for the GTM Rider by citing the Decommissioning Rider (DR) in Commission Case No. 2012-00578 and the Retired Asset Recovery Rider (RAR) in Commission Case No. 2020-00349 & 2020-00350. List the dates the riders in each case were approved in relation to the actual retirement date for each asset.

61. Refer broadly to the regulatory assets requested by Duke Kentucky in the current proceeding. In each program, Duke Kentucky proposes to record expenses associated with each program to be included in base rates in a future proceeding. Explain why Duke Kentucky should not also establish a regulatory liability to record revenue associated with each program to avoid asymmetrical recovery.

---

[7] Case No. 2017-00321 *Electronic Application of Duke Energy Kentucky, Inc. for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and elief* (Ky. PSC Apr. 13, 2018).

[8] Case No. 2019-00271, *Electric Application of Duke Energy Kentucky, Inc. for 1) an Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020).

62. Refer to the Direct Testimony of Max W. McClellan (McClellan Direct Testimony), page 11.

a. Explain whether Duke Kentucky analyzed the impact of periods other than 30 years to calculate the Normal Weather in its electric load forecast. If so, provide this impact. If not, explain why no other weather periods were considered.

b. Explain whether any Duke Kentucky affiliate makes forecasts using a period other than 30 years and using a different normal weather calculation methodology. If so, explain the other Duke Kentucky affiliate normal weather methodologies.

c. Provide a list and summary of any of Duke Kentucky's affiliates who use periods other than 30 years for weather normalization.

63. Refer to Duke Kentucky’s response to Staff’s First Request, Item 39. Provide, as separately stated totals, the total employer contributions to 401(k) expenses and for defined benefits plans for the forecasted test period. In addition to stated totals, provide this information detailing the total contributions for union and non-union employees.

64. Refer to the Direct Testimony of Jake J. Stewart (Stewart Direct Testimony), pages 6-7.

a. Provide the annual number of employees per year since 2016 that Duke Kentucky has lost to other electric/natural gas companies and contractors.

b. Provide the number of executives per year since 2016 that Duke Kentucky has lost to other electric/natural gas companies and contractors.

65. Refer to Stewart Direct Testimony, pages 14–16, and Table 1.

a. Provide the total amount paid for each short-term incentive (STI) plan component for 2021.

b. Provide the total amount forecasted to be paid out for each STI plan component in the forecasted test year.

66. Refer to Stewart Direct Testimony, pages 23–25.

a. For the forecasted test period, provide the long term incentive (LTI) amount included for the Executive LTI program.

b. For the forecasted test period, provide the LTI amount included for the Restricted Stock Units.

67. Refer to Stewart Direct Testimony, page 33. State whether, for those enrolling in the HDHP option, what amounts, if any, are included in the employee's HSA that require no additional contribution, or are automatically included for selecting the HDHP option.

68. Refer to Stewart Direct Testimony, page 35. Of the 28.9 percent of total medical coverage, provide the total amount paid by employees for premiums and the total amount paid for out-of-pocket costs for the forecasted test period.

69. Refer to the Direct Testimony of Ron Adams (Adams Direct Testimony), page 8. Explain whether Duke Kentucky has considered or evaluated insourcing its vegetation management program since the time of its last rate case. If not, explain why not. If so, identify and describe any barriers and provide any economic analysis performed.

70. Refer to the Adams Direct Testimony, page 3.

a. Describe, in detail, how Duke Kentucky contracts its vegetation management services.

b. Provide copies of its vegetation management contracts from 2019 through 2021.

c. On what basis does Duke Kentucky award its vegetation management contracts (i.e., per hour, per mile, etc.). Provide any supporting documentation.

71. Refer to the Direct Testimony of James E. Ziolkowski (Ziolkowski Direct Testimony), page 29, lines 7–9.

a. Explain why Duke Kentucky proposed no change to the Water Pumping rate class.

b. Duke Kentucky states that the proposed rate decrease for the water pumping rate class was added to the proposed revenues for Rate DS. Explain why Duke Kentucky placed this rate decrease on Rate DS.

72. Refer to the Direct Testimony of Paul L. Halstead (Halstead Direct Testimony), page 14.

a. Referring to lines 13 through 17, given that the testimony states Duke Kentucky has a need for cost-effective generation that will diversify its fuel mix, why is the company proposing to initiate a program that provides a financial benefit to the subscribers, rather than allowing the generation to be part of Duke Kentucky's traditional energy portfolio.

b. Explain whether subscribers to this tariff will receive an offsetting reduction or exemption in fuel related costs (PPA or FAC) and the justification behind the response.

73. Refer to the proposed Emergency Electricity Procedure tariff sheet. Explain why Duke Kentucky's revisions eliminate any mention of the PSC or other state regulatory agencies.

Linda C. Bridwell

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

DATED JAN 11 2023

cc: Parties of Record

*Angela M Goad
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Larisa Vaysman
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

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

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Elizabeth Brama
Taft Stettinius & Hollister LLP
1717 Dixie Highway, Suite 340
Covington, KENTUCKY 41011-4707

*J. Michael West
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Joe F. Childers
Childers & Baxter PLLC
300 Lexington Building, 201 West Sho
Lexington, KENTUCKY 40507

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

*John G Horne, II
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

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

*Joshua Smith
Sierra Club
2101
Webster St. , Suite 1300
Oakland, CALIFORNIA 94612

*Sarah Lawler
Duke Energy Kentucky, Inc.
139 East Fourth Street
Cincinnati, OH 45201

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

*Valerie T. Herring
Attorney
Taft Stettinius & Hollister LLP
2200 IDS Center
80 South 8th Street
Minneapolis, MINNESOTA 55402-215