COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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 RELIEF	)	CASE NO. 2017-00321

COMMISSION STAFF'S THIRD 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 six copies in paper medium and an electronic version of the following information. The information requested herein is due on or before December 13, 2017. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. 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 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 Duke Kentucky 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 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, Volume 13 Schedule L-1, page 15 of 148, item 6, Change to Optional Rate Schedule. The last sentence of this section states, "[a]t the Company's option, Company may allow another such change within the next twelve months if customer complies with applicable early termination provisions specified in the rate schedule." Indicate what rate schedules this is referring to and where the early termination provisions are listed.

2. Refer to the Direct Testimony of Jeffrey T. Kopp, Attachment JK-1, page 7 of 30, Table 1-1.

a. Confirm that if the Commission approves the decommissioning proposal, the net project cost would be the sole responsibility of Duke Kentucky's shareholders.

b. Identify any significant changes in the assumptions to the decommissioning study since its issuance on March 22, 2017.

3. Refer to the Direct Testimony of Sarah E. Lawler, Attachment SEL-2, page 2 of 10. Explain whether Duke Kentucky has any off-system sales and how the environmental surcharge would be allocated to any off-system sales.

4. Refer to the Application, the Direct Testimony of Bruce L. Sailers, Exhibit BLS-2.

a. Provide a revision utilizing the revised cost-of-service study.

b. Include in the revision the average in excess and summer/non-summer results.

c. Provide an explanation of the "**" notation.

d. Provide an explanation of the "***" notation.

5. Refer to the Application, the Direct Testimony of Alexander "Sasha" J. Weintraub, PhD., ("Weintraub Testimony"), pages 7–9.

a. Explain how the premium added to the fixed bill is calculated.

b. Explain how the monthly charge is calculated.

c. Provide an example of and the calculations supporting the monthly flat fee and premium charged to an average customer opting to move to the proposed fixed-bill option.

d. Explain if Duke Kentucky is concerned customers on the fixed-bill option will over use and then either change programs or leave Duke Kentucky's territory.

6. Refer to the Weintraub testimony, page 12, lines 5–19.

a. Explain why Duke Kentucky believes that the Pick Your Own Due Date and outage and usage alert programs do not require tariff modifications.

b. Indicate whether Duke Kentucky would be willing to include the provisions of these programs in its tariff. If so, provide proposed language Duke Kentucky would be willing to include in its tariff regarding the Pick Your Own Due Date and outage and usage alert programs.

7. Refer to Duke Kentucky's response to Commission Staff's First Request for Information, Item 13(b), Attachment, page 1 of 1. Explain the variances between actual construction costs versus budgeted capital costs for years 2008 through 2016.

8. Refer to Duke Kentucky's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 1, pages 1 and 2.

a. Explain the large variances in estimated versus actual capital expenditures in year 2006 and 2008 as shown on page 1 of 2.

b. Explain the large variances in estimated versus actual capital expenditures in 2006, 2007 and 2008 as shown on page 2 of 2.

9. Refer to Duke Kentucky's response to Staff's Second Request, Item 2-4.b.

a. Explain the reason(s) for the dramatic increase in the amount of direct charges from DEBS over the 2012–2017 period.

b. Provide a breakdown, by account, of the direct charges from DEBS for the 12 months ended November 30, 2015, through November 2017.

10. Refer to Duke Kentucky's response to Commission Staff's Second Request, Item 9.c. Provide the proposed language Duke Kentucky is willing to include in its tariff regarding the budget payment plan.

11. Refer to Duke Kentucky's response to Staff's Second Request, Item 9.d. Provide the proposed language Duke Kentucky is willing to include in its tariff regarding the Fixed Bill program.

12. Refer to Duke Kentucky's Response to Staff's Second Request, Item 13, and Duke Kentucky's Response to the Attorney General's First Request for Information ("AG's First Request"), Item 91. Explain whether economic development activities are funded by ratepayers, shareholders, or a combination of the two. If a combination, provide the amount each contributes. Explain if the amount paid by the ratepayers is in rate base.

13. Refer to Duke Kentucky's Response to Staff's Second Request, Item 15. Since only one program is being considered for recovery through the proposed Rider DCI, explain why Duke Kentucky did not include the Target Underground costs in rate base for the forecasted test year.

14. Refer to Kentucky Power's response to Staff's Second Request, Item 18.

a. Explain the reason(s) for the dramatic increase in vegetation management expense from 2012 through the test year.

b. Explain the substantial increase in the vegetation management expense between the base period and the test year.

c. Provide the amount of vegetation management expenses planned for fiscal years ending March 31, 2020, 2021, and 2022 in the format listed in the response.

15. Refer to Duke Kentucky's response to Staff's Second Request, Item 21.d., and the Application, Workpaper WPD-2-14a.

a. Provide a spreadsheet in electronic format with the information for electric operations only.

b. Provide a spreadsheet in electronic format showing the calculation of the base period and test period Other Tax Expense as shown in WPD-2-14a for electric operations only.

16. Refer to Duke Kentucky's response to Staff's Second Request, Item 23.e.

a. Confirm that the total outage/production expense for the nine-year period listed in the response is $65,460,940.

b. Confirm that the average annual outage/production maintenance expense is for the nine-year period listed in the response is $7,273,438 ($65,460,940 / 9 = $7,273,438).

c. Explain why the average outage/maintenance expense as calculated above should not be utilized as the basis for an adjustment to this expense.

d. Confirm that if the average as computed above is utilized as the basis for the test year, it would reduce Duke Kentucky's adjustment for outage/maintenance expense by $3,097,145 ($7,273,438 - $5,575,440 = $1,697,998) ($4,777,143 - $1,697,998 = $3,097,145).

e. Explain why the adjustment proposed in Schedule D-2-33 is necessary, given the foregoing information.

17. Refer to Duke Kentucky's response to Staff's Second Request, Item 28. Based on the information provided in the response, confirm that the proposed change to Rider PSM is disadvantageous to Duke Kentucky's customers in terms of its financial impact.

18. Refer to Duke Kentucky's response to Staff's Second Request, Item 33.

a. Provide the remaining book life of Duke Kentucky's ash pond.

b. Explain whether Duke Kentucky considered alternative amortization periods such as 15 or 20 years. If not, explain why they were not considered.

c. Explain how Duke Kentucky is proposing to recover post-closure costs.

19. Refer to Duke Kentucky's response to Staff's Second Request, Item 34.b. Explain whether Duke Kentucky would still propose a ten-year amortization period for the East Bend Coal Ash ARO if it were recovered through base rates instead of the environmental surcharge.

20. Refer to Duke Kentucky's response to Staff's Second Request, Item 36. Explain why revenues generated from Duke Kentucky's landfills are not included in its environmental surcharge calculation, given that the costs of the landfills' construction and operation are proposed to be included.

21. Refer to Duke Kentucky's response to Staff's Second Request, Item 41.c. Provide updates to the Discounted Cash Flow Model without Avista in the proxy group.

22. Refer to Duke Kentucky's response to Staff's Second Request, Item 64. Provide the referenced Attachments in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible.

23. Refer to Duke Kentucky's response to Staff's Second Request, Item 67.b. Explain why Engineering is included in the calculation of the Remote Reconnection ("AMI") charge.

24. Refer to Staff-DR-02-088 Attachment.xls, tab WP FR-16(7)(v) Rate Incr.

a. Explain the rationale of including the fuel adjustment clause ("FAC") rider in the present revenues column and thus including it in the allocation of the proposed revenue increase.

b. Provide a revision of this schedule illustrating the allocation of the proposed revenue increase excluding the FAC rider.

25. Refer to Duke Kentucky's response to the AG's First Request, Items 18 and 19.

a. Confirm that the total amount of incentive compensation incurred by Duke Kentucky or allocated to it from affiliates based on its financial performance as measured by earnings per share is $1,353,871 ($884,329 + $309,039 + $160,503).

b. Refer also to the Direct Testimony of Thomas Silinski beginning at page 27. Explain why incentive compensation based upon restricted stock units should be included in the revenue requirement for ratemaking purposes.

Gwen R. Pinson

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DATED NOV 28 2017

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