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Michael J. Schmitt
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Robert Cicero
Vice Chairman

Talina R. Mathews
Commissioner

April 25, 2018

PARTIES OF RECORD

Re: 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 RELIEF

Attached is a copy of the memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please contact Quang D. Ngyuen, Assistant General Counsel at 502-782-2586.

Sincerely,

Gwen R. Pinson
Executive Director

QN/ch

Attachments

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File – Case No. 2017-00321

FROM: Quang D. Nguyen, Assistant General Counsel

DATE: April 25, 2018

RE: Informal Conference of April 19, 2018

Pursuant to an Order issued on April 18 2018, an informal conference (“IC”) was held at the Commission’s offices in Frankfort, Kentucky, on April 19, 2018. The IC was held at the request of Duke Energy Kentucky, Inc. (“Duke Kentucky”) for the purpose of discussing certain potential typographical errors contained in the April 13, 2018 Order and to clarify certain potential issues contained in the April 13, 2018 Order. The attendance sheet for IC is attached to this memo.

Duke Kentucky representatives began the substantive discussion by expressing the company’s interest in delaying the implementation of the revisions to the FAC and PSM Riders such that those approved revisions would begin with the May expense month, which would be reflected on the July bills for customers. Duke Kentucky states that this would allow it to implement the changes to these two riders at the beginning of a month rather than having to pro-rate any changes given that the authorized effective date of these two riders were for any service rendered on or after April 13, 2018 – the date of the final Order in this matter. Duke Kentucky representatives also expressed the company’s interest in implementing Rider ESM for services rendered on or after April 13, 2018 to be reflected on customer bills beginning June 1, 2018. Duke Kentucky representatives further expressed a desire to meet with Commission Staff to go over the changes to the monthly forms prior to May 21, 2018, which is when those forms will have to be filed by Duke Kentucky. Commission Staff advised Duke Kentucky to submit a motion requesting such relief.

Duke Kentucky representatives then discussed two possible typographical errors. The first relates to the capacity rate for the Cogeneration and Small Power Production Sale and Purchase Tariffs. Duke Kentucky stated that it appears the calculation of the capacity rate of \$3.61 per kW month factored the authorized return on equity but did not take into consideration the approved short- and long-term debt rates. The second error relates to the rates under Rider GSS as provided in Appendix C of the April 13, 2018 Order. Duke Kentucky representatives note that Rate DS, Rate DT, Rate DP, and Rate TT under Rider GSS should have been calculated on a per kw basis and, that the decimal point for each of those rates should be moved two places to the right. Commission Staff advised Duke Kentucky to submit a motion for the Commission’s consideration of these potential errors.

Duke Kentucky representatives then sought clarification regarding the directive that Duke Kentucky provide every customer the entirety of the billing information, including the second billing page which contains the billing details. Duke Kentucky inquired whether it would need to provide the entire paper billing information to those customers who currently have signed up for electronic billing notification even though such customers have access to their entire bill electronically. Commission Staff indicated that the intent of the requirement was limited to customers who are receiving a paper bill and does not extend to those customers who have signed up for electronic billing.

Duke Kentucky representatives provided a handout showing a schedule of how it reconciled the adjustments that the Commission addressed in the April 13, 2018 Order. The handout is attached to this memo. Following a discussion on the adjustments and the amount related to each adjustment identified on Duke Kentucky's handout, Commission Staff advised that Duke Kentucky should submit a motion requesting rehearing on the reconciliation of the adjustments set forth in the April 13, 2018 Order and Duke Kentucky's calculation of those adjustments.

There being no further discussion, the IC was then adjourned.

Attachments

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. FOR 1) AN ADJUSTMENT OF) CASE NO.
THE ELECTRIC RATES; 2) APPROVAL OF AN) 2017-00321
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)

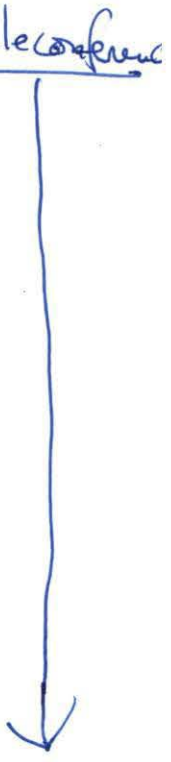
Informal Conference – April 19, 2018

Please sign in:

NAME	REPRESENTING
<u>Quang D. Nguyen</u>	<u>PSC</u>
<u>Allyson Honaker</u>	<u>Doss Sanford, PSC for Duke Ky.</u>
<u>Dan Wathen</u>	<u>Duke Energy, Kentucky</u>
<u>Rocco D'Asenzo</u>	<u>Duke Energy</u>
<u>Jim Livers</u>	<u>PSC-FA</u>
<u>Mary Whitaker</u>	<u>PSC-FA</u>
<u>Elizabete Stojanovic</u>	<u>PSC-FA</u>
<u>Bon Handzwick</u>	<u>PSC-FA</u>
<u>Kent Chandler</u>	<u>KYDAG</u>
<u>Ben Bellamy</u>	<u>PSC-Legal</u>
<u>Amiel Hunter</u>	<u>PSC-FA</u>

Matthew Baer
Mary Beth Purvis
RICHARD RAFF
Charles Session
Sarah Lawler
Bruce Sailer
Ted Zupak
Larry Cook
Kurt Boehm
Mike Kurtyz
Matt Malone
Dennis Howard
Pam Gates
Peggy Lanter

PSC -FA
PSC-FA
PSC
Duke Espagy
Duke Kentucky via teleconference
Duke Kentucky
Duke Kentucky
AG
Kroger
KMAC
KSBA
NKU
NKU
NKU



Duke Energy Kentucky
Reconciliation of KPSC's Adjustments in Order

Description	Amount	Source
Company Filed	\$48,646,222	Schedule A-1
RTEP Correction	(\$410,346)	pg 13
Research Tax Credits	(119,514)	pg 13
Amortization of Carbon Mgt Deferral	(200,000)	pg 13
OSS Margin in Base Rate	-	pg 14-15
Replacement Power (Adj to 3-yr avg)	(4,058,000)	pg 15-16
Veg Mgt (adj to 4-yr avg)	(444,000)	pg 16-18
Planned Outage (adj avg, 4 act/4 bud)	(1,223,000)	pg 18-20
Incentive Comp (no EPS-related or RSU)	(1,634,000)	pg 20-22
Retirement Plan Expense	-	pg 22-23
AMI Benefit Levelization	(855,000)	pg 23-24
EB2 Reg Asset Amortization	(323,075)	pg 25
ALG/ELG	(6,919,475)	pg 26
Terminal Net Salvage	-	pg 27
Interim Net Salvage	-	Pg 28
Excess Deferred Income Taxes	(5,996,871)	Pg 30
Add back Fixed bill premium	122,230	Pg 47
Add back Recon Fees	170,759	Pg 53
Adjustments in Appendix B		
Reduction in Federal Income Taxes	(10,255,196)	pg 29 & App B
Money Pool Offset to STD	(158,022)	pg 31
DSM Reg Asset	-	Pg 32
EB2 O&M Carrying Cost Offset	(3,231,110)	Pg 32
East End ARO Carrying Cost Offset	(1,636,699)	Pg 33
Carbon Mgt Reg Asset Carrying Cost Offset	17,685	Pg 33
Impact of Lower Depr Rates for ALG	241,693	Pg 33
Terminal Net Salvage	-	Pg 33
Interim Net Salvage	-	Pg 34
Lower ROE	(2,460,111)	Appendix B
Total Adjustments in Appendix B	(17,481,760)	Total Difference in App B
Total KPSC Adjustments Addressed in Order	(\$39,372,052)	
Net Increase with Accounted For Adjustments	\$9,274,170	
KPSC Approved Revenue Increase	\$8,428,645	pg 41
Unaccounted for Difference	<u>\$845,525</u>	

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