

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY )	
KENTUCKY, INC. FOR AUTHORITY TO 1) ADJUST )	CASE NO.
NATURAL GAS RATES 2) APPROVAL OF A )	2018-00261
DECOUPLING MECHANISM 3) APPROVAL OF )	
NEW TARIFFS 4) AND FOR ALL OTHER )	
REQUIRED APPROVALS, WAIVERS, AND RELIEF )	

COMMISSION STAFF'S FIFTH 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 in paper medium and an electronic version of the following information. The information requested herein is due within seven days of the entry of this Request for Information. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. 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 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 Direct Testimony of Lane Kollen (Kollen Testimony), beginning at page 15, and Duke Kentucky's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 43.
  - a. Explain why Duke Kentucky did not include any no-notice intercompany transportation revenues in the forecast portion of the base year or in the test year.
  - b. Provide the actual no-notice transportation revenues for the fiscal year 2018, the base period, and calendar year 2018.

2. Refer to Commission Staff's Second Request for Information (Staff's Second Request), Item 3.c.

a. Confirm that the number of employees included in the forecasted test year for salary and wage expense was 198 employees. If this cannot be confirmed, provide the number of employees that was included.

b. Provide the date that Duke Kentucky plans to eliminate the 14-meter reading positions.

c. Confirm that the meter reading positions reflected in the cost savings in the test period have also been included in the test-year salary and wage expense.

3. Refer to Duke Kentucky's response to Staff's Second Request, Item 5, and the Attorney General's response to Commission Staff's First Request for Information (Staff's First Request), Item 4.

a. Confirm that the change listed in each subsection represents the amount by which the forecasted test-period expense exceeds the amount allowable under the Commission's guidelines. For example, in Item 5.a., the change is \$166,867 (\$116,548 + 50,319).

b. Provide the responses to each subsection in Staff's Second Request, Item 5, broken down by the union and non-union employees.

c. Refer to the Attorney General's response to Staff's First Request, Item 4. Confirm that the changes made to Duke Kentucky's Defined Benefit and Defined Contribution Plans, as discussed in Case No. 2017-00321, did not affect Duke Kentucky's

gas operations union employees.<sup>1</sup>

4. Refer to Duke Kentucky's response to Staff's Second Request, Item 22. State whether the projected \$340,000 in savings due to the proposed change from a ten to fifteen-year meter-testing cycle have been reflected in the forecasted test year.

5. Refer to Duke Kentucky's response to Staff's Second Request, Item 30.

a. Explain if the integrity management program (IMP) expenses of \$1,065,488 are non-recurring in nature.

b. Provide the expected service life of IMP improvements.

c. Explain Duke Kentucky's rationale for expensing the entire amount in the forecasted test period.

d. Explain why Duke Kentucky requested a five-year amortization period for its IMP regulatory asset versus its proposed expensing of the IMP expenses incurred after the regulatory asset was approved.

6. Refer to Duke Kentucky's response to Staff's Second Request, Item 31. Explain why the over-collections of \$171,902 in federal income tax on the 2018 ASRP should not be reflected as a one-time reduction in the revenue requirement in the forecasted period rather than being amortized over a five-year period.

7. Refer to Staff's Second Request, Item 43. Explain if Duke Kentucky has settled its 2018 Public Service Company Property Tax Assessment (PSC Assessment) with the Kentucky Department of Revenue. If so, provide a copy of the final PSC Assessment and a schedule of the total property tax paid or to be paid by tax district.

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<sup>1</sup> 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* (Ky. PSC Oct 2, 2018).

8. Refer to Duke Kentucky's response to Staff's Second Request, Items 47(a), 47(b), and 47(c). Confirm that the total reduction in non-union labor cost for the forecasted test year would be a decrease of \$216,000 (\$10,000+180,000+\$26,000) if the wage and salary increase is limited to three percent.

9. Refer to Duke Kentucky's response to Commission Staff's Fourth Request for Information (Staff's Fourth Request), Item 1. Confirm the amortization of the excess Kentucky accumulated deferred income tax (ADIT) has been reflected in Duke Kentucky's revenue requirement.

10. Refer to Duke Kentucky's response to Staff's Fourth Request, Item 2, regarding the Project Resources Group contract.

a. Explain why an outside contractor was utilized for this program rather than administering the program in-house either at the Duke Kentucky or at Duke Energy Business Services.

b. Provide any studies, correspondence, etc. related to the cost-effectiveness of using a third party rather than in-house personnel to administer the program where a third party/contractor damages Duke Kentucky's property.

c. Explain the contention that Duke Kentucky will bear no cost through the contract with Project Resource Group when 25 percent of the principal amount is retained by the contractor.

11. Refer to the Kollen Testimony, beginning at page 13, regarding transportation revenues. Also, refer to Duke Kentucky's responses to the Attorney General's First Request, Items 41 and 102.

a. Reconcile the discrepancy between Duke Kentucky's responses to the Attorney General's First Request, Items 41 and 102, in which Duke Kentucky asserts that variations in natural gas consumption were impacted by a colder than normal winter, but then also states that natural gas consumption is not necessarily driven by weather conditions and therefore makes the weather normalization adjustment mechanism inappropriate for certain customers.

b. Provide Duke Kentucky's actual transportation revenues for fiscal year ending 2018 and calendar year 2018.

12. Refer to the application, WP FR-15(7)(v)-8, page 1. At the present rate of return, Rate Class FT-L is highly subsidized.

a. Provide an explanation for all the factors which cause the large firm transportation class to be subsidized by the residential and other classes.

b. Explain why Duke Kentucky believes reducing this subsidization by 15 percent is adequate.

13. Duke Kentucky proposes to increase the reconnect charge to \$75.

a. Provide the amount of increased revenue associated with this increase in the reconnect charge Duke Kentucky estimates for the forecasted test year.

b. Explain if this increase in revenue is included in Duke Kentucky's billing analysis.

14. Refer to administrative Case No. 2010-00146,<sup>2</sup> in which the Commission stated that existing gas transportation thresholds bear further examination and that the Commission would evaluate each local distribution company's (LDC) tariffs and rate

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<sup>2</sup> Case No. 2010-00146, *An Investigation of Natural Gas Retail Competition Program* (Ky. PSC Dec 28, 2010).

design in each LDC's next general rate proceeding for the appropriateness of its transportation service offerings. Further, refer to Duke Kentucky's gas transportation service tariffs.

a. Explain whether Duke Kentucky believes the current volumetric requirements of its transportation tariffs are sufficient to make transportation service reasonably available to customers who would be interested in such service. The explanation should include any volumetric levels considered below the current requirement of 2,000 Mcf per year, and why lower levels were rejected.

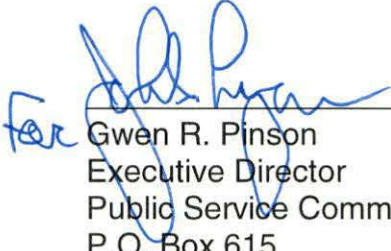
b. Enumerate and describe the customer characteristics and desires for expanded service offerings Duke Kentucky has considered with regard to its transportation services. Include any communication with existing and potential transportation customers concerning their eligibility, or lack thereof, for transportation service, and the value that transportation service represents to those customers.

c. Explain whether Duke Kentucky has received requests for transportation service at any time in the last five years from non-residential customers whose usage would make them ineligible for existing transportation service. If yes, provide details concerning when, how many, and the usage level of each inquiring customer.

15. Refer to the Direct Testimony of Benjamin Passty, Ph.D. (Passty Testimony), Attachment BWP-1. Explain the heading name of Column 4, STREETHWY LIGHTING/ID/OEU.

16. Refer to the Passty Testimony, Attachment BWP-2. Confirm that 65 is often used as the base for Heating Degree Days (HDD), and explain why a base of 59 is used in Duke Kentucky's weather normalization calculations for HDD.

17. Refer to the application, Schedule L-1, pages 30 and 46 of 69. Indicate whether the second provision under over-deliveries should be the same on both pages. If so, state which page is correct. If not, state why the provisions are different.

  
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DATED JAN 24 2019

cc: Parties of Record



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