

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AN ORDER APPROVING)	
THE ESTABLISHMENT OF A REGULATORY)	CASE NO.
ASSET FOR THE LIABILITIES ASSOCIATED)	2021-00405
WITH THE RETIREMENT OF CERTAIN)	
PROPANE-AIR FACILITIES)	

COMMISSION STAFF'S FIRST 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 an electronic version of the following information. The information requested is due on December 1, 2021. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ 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 person supervising the preparation of the response on behalf of the entity that 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).

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 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 Application, paragraph 4.
 - a. Provide the original net book value and estimated useful life, remaining useful life, and depreciation schedules of the man-made cavern in Erlanger, Kentucky (Erlanger Cavern), along with related propane-air facilities.
 - b. Elaborate on the "nature of construction" that prevents the Erlanger Cavern from being inspected or repaired.

c. State whether Duke Kentucky monitors the Erlanger Cavern to ensure its safe and reliable operation. If so, describe how Duke Kentucky conducts such monitoring.

d. State whether Duke Kentucky has conducted any study or analysis regarding the Erlanger Cavern's remaining useful life. If so, provide any such study or analysis.

e. State whether Duke Kentucky is aware of any specific safety concerns, defects, or inoperable conditions associated with the Erlanger Cavern. If so, describe these conditions or concerns.

f. State whether Duke Kentucky is aware of any instance where the Erlanger Cavern failed to provide needed supply or pressure to its system, failed to operate during a peak day, caused firm customer curtailments or interruptions, or resulted in service outages. If so, describe these failures and the impact on Duke Kentucky's system.

g. Provide support for Duke Kentucky's statement that, "Similar propane caverns of a similar vintage have failed, resulting in the need to immediately retire such facilities." Include in this response a description of the similarities of the failed facilities and the Erlanger Cavern.

2. Refer to the Application, paragraphs 5 and 9.

a. State when Duke Kentucky and Duke Energy Ohio, Inc. (Duke Ohio) determined that the Erlanger Cavern was nearing the end of its useful life and should be retired.

b. Describe Duke Ohio's retirement plan, including any necessary regulatory approvals, for the Erlanger Cavern and similar facilities.

c. Explain the ownership arrangement for the Erlanger Cavern (e.g., Duke Ohio and Duke Kentucky jointly own the facility; Duke Ohio solely owns the facility and allocates plant or expenses to Duke Kentucky, etc.).

3. Refer to the Application, paragraphs 6–8.

a. Provide the peak capacity currently provided by the Erlanger Cavern.

b. Provide the amount of additional capacity Duke Kentucky anticipates will become available through the KOT Pipeline/southern pipelines when the Central Corridor Pipeline is placed in service.

c. Provide an estimate of the number of operating days that the Erlanger Cavern's capacity provides to Duke Kentucky at full capacity.

d. Explain if the Erlanger Cavern can or is used to hedge against short-term high gas prices.

e. If applicable, explain whether the closure of the Erlanger Cavern (and consequently the loss of the ability to price hedge) would leave Duke Kentucky at risk to short-term high gas prices.

4. Refer to the Application, paragraphs 13–14.

a. Confirm that Duke Ohio received approval to construct the Central Corridor Extension on November 21, 2019, and that construction began on March 1, 2021. If this cannot be confirmed, provide the correct dates of the approval and the commencement of construction activities.

b. Confirm that Duke Ohio planned to begin the decommissioning process for the Erlanger Cavern after the winter of 2020-2021. If confirmed, state when this plan was delayed and describe the precipitating event.

c. State whether any event or circumstance other than Duke Ohio's plans to construct the Central Corridor Extension motivated Duke Kentucky's decision to retire the Erlanger Cavern. If so, provide a timeline of those events or circumstances.

d. Explain whether Duke Kentucky separately evaluated any construction project or other method of procuring necessary peak capacity to facilitate the retirement of the Erlanger Cavern. If so, provide the alternatives evaluated. If not, explain why not.

5. Refer to the Application, paragraphs 15 and 19.

a. Quantify the Operations and Maintenance savings that are expected to result from the closure of the Erlanger Cavern.

b. Provide all amounts currently recovered in Duke Kentucky's base rates related to the Erlanger Cavern and its operation.

c. Provide all amounts related to the Erlanger Cavern and its operation included in Duke Kentucky's base rates as requested in Case No. 2021-00190.² If any of these amounts are impacted by the Joint Stipulation and Recommendation filed on October 8, 2021, separately identify that impact.

² 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* (filed June 1, 2021).

6. Refer to the Application, paragraph 17. Explain how the estimated 500,000 gallons of propane to remain in the Erlanger Cavern will be removed for decommissioning and Duke Kentucky's plans for that propane.

7. Refer to the Application, paragraph 18.

a. Explain how Duke Kentucky currently includes propane in its Gas Cost Adjustment Rider (GCA).

b. Explain why Duke Kentucky proposes to include the propane in its GCA at the lower of the weighted average cost of the propane inventory or the weighted average cost of gas for Duke Kentucky's supply and storage withdrawals at the Citygate for the month that the propane was burned.

c. Explain how Duke Kentucky procures propane for the Erlanger Cavern.

d. Provide the estimated date that Duke Kentucky will cease procuring propane.

e. Explain whether Duke Kentucky has considered selling any propane not necessary for system reliability at wholesale. If not, explain why not.

8. Refer to the Application, paragraphs 19 and 24. Confirm that Duke Kentucky proposes to begin amortizing the proposed regulatory asset and recovering in rates at the same level as the expenses currently associated with the Erlanger Cavern. If this cannot be confirmed, explain. If confirmed, explain Duke Kentucky's contention that recovery of deferred costs will be addressed in a separate proceeding.

9. Refer to the Application, paragraphs 19 and 26. Explain in detail why Duke Kentucky requests an order by December 31, 2021, given the March 31, 2022 planned retirement date for the Erlanger Cavern.

10. Refer to the Application, paragraphs 20 and 21. Explain why there is such a large difference in the cost of removal recovered in depreciation rates and the estimated decommissioning costs.



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DATED NOV 19 2021

cc: Parties of Record

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