

**KYPSC CASE NO. 2017-00321**  
**STAFF 3<sup>rd</sup> SET OF DATA REQUESTS**  
**TABLE OF CONTENTS**

<b><u>DATA REQUEST</u></b>	<b><u>WITNESS</u></b>	<b><u>TAB NO.</u></b>
STAFF-DR-03-001	Bruce L. Sailers.....	1
STAFF-DR-03-002	William Don Wathen, Jr. / Jeffery Kopp.....	2
STAFF-DR-03-003	Sarah E. Lawler / Scott Burnside .....	3
STAFF-DR-03-004	Bruce L. Sailers.....	4
STAFF-DR-03-005	Sasha Weintraub / Tim Duff .....	5
STAFF-DR-03-006	Sasha Weintraub / Tim Duff .....	6
STAFF-DR-03-007	Robert H. Pratt .....	7
STAFF-DR-03-008	Robert H. Pratt .....	8
STAFF-DR-03-009	Jeff Setser .....	9
STAFF-DR-03-010	Bruce L. Sailers.....	10
STAFF-DR-03-011	Sasha Weintraub .....	11
STAFF-DR-03-012	William Don Wathen, Jr .....	12
STAFF-DR-03-013	Sarah E. Lawler / Tony Platz .....	13
STAFF-DR-03-014	April Edwards .....	14

STAFF-DR-03-015	Cooper Monroe / Robert H. Pratt .....	15
STAFF-DR-03-016	Sarah E. Lawler .....	16
STAFF-DR-03-017	Sarah E. Lawler .....	17
STAFF-DR-03-018	Cynthia S. Lee .....	18
STAFF-DR-03-019	William Don Wathen, Jr .....	19
STAFF-DR-03-020	Sarah E. Lawler .....	20
STAFF-DR-03-021	Dr. Roger Morin, Ph. D.....	21
STAFF-DR-03-022	Bruce L. Sailors.....	22
STAFF-DR-03-023	Bruce L. Sailors.....	23
STAFF-DR-03-024	James E. Ziolkowski .....	24
STAFF-DR-03-025	Jeff Setser / Tom Silinski .....	25

**VERIFICATION**


STATE OF OHIO                    )  
  )     SS:  
COUNTY OF HAMILTON        )

The undersigned, James E. Ziolkowski, Director, Rates & Regulatory Planning, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
James E. Ziolkowski Affiant

Subscribed and sworn to before me by James E. Ziolkowski on this 7<sup>TH</sup> day of DECEMBER, 2017.

**ADELE M. FRUSCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 1/5/2019

**VERIFICATION**

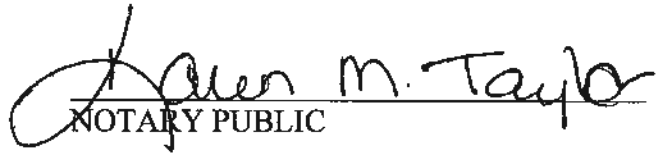
**STATE OF FLORIDA**                    )  
  )  
**COUNTY OF NASSAU**                )        **SS:**

The undersigned, Dr. Roger A. Morin, Ph.D., Emeritus Professor of Finance at the College of Business, Georgia State University and Professor of Finance for Regulated Industry at the Center for the Study of Regulated Industry at Georgia State University, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.



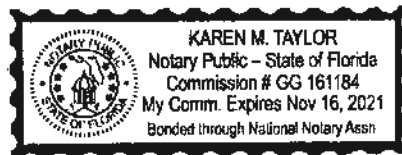
Dr. Roger A. Morin, Ph.D., Affiant

Subscribed and sworn to before me by Dr. Roger A. Morin, Ph.D., on this 30th day of November, 2017.



NOTARY PUBLIC

My Commission Expires:



**VERIFICATION**

STATE OF OHIO                    )  
  )  
COUNTY OF HAMILTON        )        SS:

The undersigned, Bruce L. Sailors, Pricing and Regulatory Solutions Manager, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Bruce L. Sailors  
Bruce L. Sailors, Affiant

Subscribed and sworn to before me by Bruce L. Sailors, on this 6<sup>TH</sup> day of DECEMBER, 2017.

Adele M. Frisch  
NOTARY PUBLIC

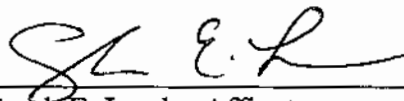
ADELE M. FRISCH  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019


**VERIFICATION**

STATE OF OHIO                    )  
  )     SS:  
COUNTY OF HAMILTON        )

The undersigned, Sarah E. Lawler, Utility Strategy Director, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

  
\_\_\_\_\_  
Sarah E. Lawler Affiant

Subscribed and sworn to before me by Sarah E. Lawler on this 1<sup>ST</sup> day of DECEMBER, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

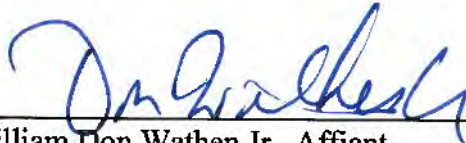
**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

My Commission Expires: 1/5/2019

**VERIFICATION**


STATE OF OHIO                    )  
  )  
COUNTY OF HAMILTON        )        SS:

The undersigned, William Don Wathen, Jr., Director of Rates & Regulatory Strategy, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
William Don Wathen Jr., Affiant

Subscribed and sworn to before me by William Don Wathen, Jr., on this 7<sup>th</sup> day of DECEMBER, 2017.

**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

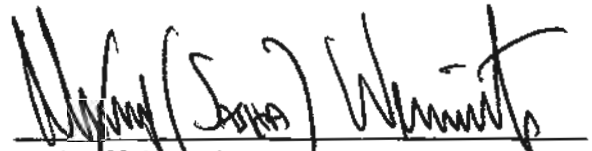
  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 1/5/2019

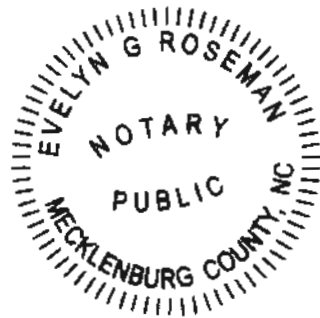
**VERIFICATION**


**STATE OF NORTH CAROLINA**        )  
  )  
**COUNTY OF MECKLENBURG**        )        **SS:**

The undersigned, Sasha Weintraub, SVP Customer Solutions, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Sasha Weintraub, Affiant

Subscribed and sworn to before me by Sasha Weintraub on this 7<sup>TH</sup> day of DECEMBER, 2017.



  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: Aug. 18, 2019



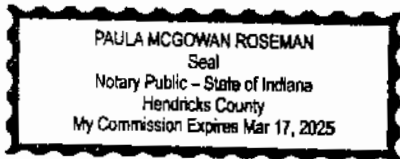
**VERIFICATION**

**STATE OF INDIANA** )  
 ) **SS:**  
**COUNTY OF HENDRICKS** )

The undersigned, April Edwards, Manager II Distribution Vegetation, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of her knowledge, information and belief.

April Edwards  
April Edwards, Affiant

Subscribed and sworn to before me by April Edwards on this 7 day of December, 2017.



Paula M. Roseman  
NOTARY PUBLIC

My Commission Expires: 3-17-25

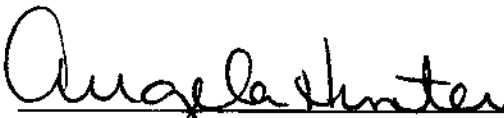
VERIFICATION

STATE OF NORTH CAROLINA       )  
  )  
COUNTY OF MECKLENBURG       )       SS:

The undersigned, Robert H. "Beau" Pratt., Director, Regional Financial Forecasting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Robert H. "Beau" Pratt Affiant

Subscribed and sworn to before me by Robert H. "Beau" Pratt on this 7 day of December, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires:

**My Commission Expires  
05-30-2018**

VERIFICATION

STATE OF Missouri )  
 )  
COUNTY OF Jackson ) SS:

The undersigned, Jeff Kopp, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

Jeff T Kopp  
Jeff Kopp, Affiant

Subscribed and sworn to before me by Jeff Kopp on this 7 day of December, 2017.

AMANDA L. G. DUNN  
Notary Public - Notary Seal  
STATE OF MISSOURI  
Jackson County  
My Commission Expires Sep. 15, 2020  
Commission # 18012249


Amanda L G Dunn  
NOTARY PUBLIC

My Commission Expires: 09/15/20

**VERIFICATION**


STATE OF OHIO                    )  
  )  
COUNTY OF HAMILTON        )        **SS:**

The undersigned, Anthony J. Platz, Director Power Quality, Reliability and Integrity Engineering, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Anthony J. Platz Affiant

Subscribed and sworn to before me by Anthony J. Platz on this 8<sup>TH</sup> day of DECEMBER, 2017.

**ADELE M. FRISCH**  
Notary Public, State of Ohio  
My Commission Expires 01-05-2019

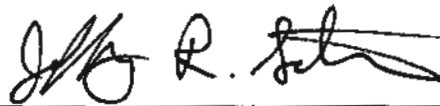
  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 1/5/2019

VERIFICATION

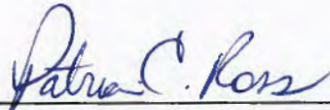
STATE OF NORTH CAROLINA )  
 ) SS:  
COUNTY OF MECKLENBURG )

The undersigned, Jeffrey R. Setser, Director of Allocations and Reporting, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

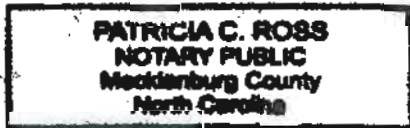


Jeffrey R. Setser Affiant

Subscribed and sworn to before me by Jeffrey R. Setser on this 6 day of December, 2017.



NOTARY PUBLIC

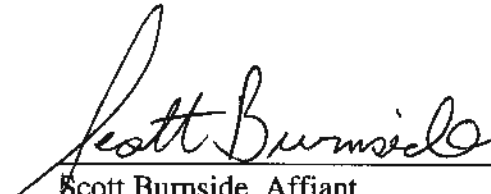


My Commission Expires: 10-17-2019

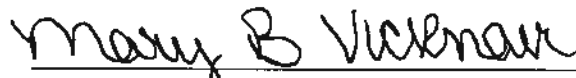
**VERIFICATION**

STATE OF NORTH CAROLINA     )  
  )     **SS:**  
COUNTY OF MECKLENBURG     )

The undersigned, Scott Burnside, Manager Post Analyst & Regulatory Support, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Scott Burnside, Affiant

Subscribed and sworn to before me by Scott Burnside on this 30 day of November, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

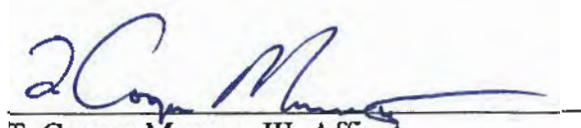
**MARY B VICKNAIR**  
**NOTARY PUBLIC**  
**Davie County**  
**North Carolina**  
**My Commission Expires Sept. 21, 2022**

My Commission Expires:

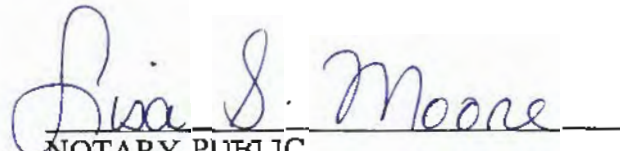
**VERIFICATION**

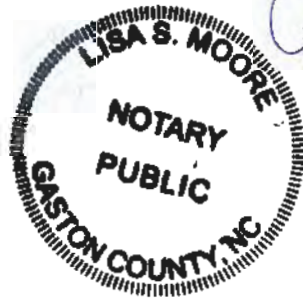
**STATE OF NORTH CAROLINA )**  
**)     SS:**  
**COUNTY OF MECKLENBURG )**

The undersigned, T. Cooper Monroe, III, Director State NI & Property Tax, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests and they are true and correct to the best of his knowledge, information, and belief.

  
\_\_\_\_\_  
T. Cooper Monroe, III, Affiant

Subscribed and sworn to before me by T. Cooper Monroe, III on this 4<sup>th</sup> day of  
December \_\_\_\_\_, 2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

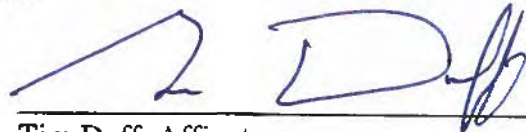


My Commission Expires: 04-13-2019

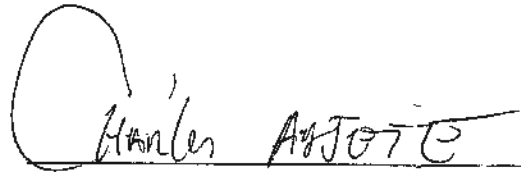
VERIFICATION

STATE OF NORTH CAROLINA )  
 )  
COUNTY OF MECKLENBURG ) SS:

The undersigned, Tim Duff, GM Customer Reg. Strategy & Analytics, being duly sworn, deposes and says that he has personal knowledge of the matters set forth in the foregoing data requests, and that the answers contained therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Tim Duff, Affiant

Subscribed and sworn to before me by Tim Duff on this 4<sup>th</sup> day of December  
2017.

  
\_\_\_\_\_  
NOTARY PUBLIC

My Commission Expires: 09/28/2019



**STAFF-DR-03-001**

**REQUEST:**

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.

**RESPONSE:**

The language referenced above provides Company flexibility to address potential customer requests. Rate schedules with early termination provisions include:

- Rate SL (Schedule L-1, page 49 of 148, General Conditions item 4),
- Rate NSU (Schedule L-1, page 66 of 148, General Conditions item 1),
- Rate SC (Schedule L-1, page 72 of 148, General Conditions item 4),
- Rate SE (Schedule L-1, page 75 of 148, General Conditions item 4),
- Rate LED (Schedule L-1, page 62 of 148, Terms of Service).

**PERSON RESPONSIBLE:** Bruce L. Sailors

**REQUEST:**

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.

**RESPONSE:**

- a. That is incorrect. Consistent with traditional utility regulation, decommissioning is a cost of providing utility service and such costs are ordinarily recoverable from the customers who benefitted from the use of the underlying asset being decommissioned.
- b. There have been no significant changes in the assumptions to the decommissioning study since it was issued on March 22, 2017.

**PERSON RESPONSIBLE:** William Don Wathen, Jr. (a)  
Jeffery Kopp (b)

**STAFF-DR-03-003**

**REQUEST:**

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.

**RESPONSE:**

Duke Energy Kentucky sells all of its generation into the PJM markets. Some of the generation sold exceeds its native load obligation and this 'excess' generation is equivalent to off-system sales.

The only cost-type included in the proposed environmental surcharge mechanism (Rider ESM) that is allocated to off-system sales is the cost of emission allowances (EAs). It is appropriate to allocate EAs to off-system sales since they are a variable production cost and comport with PJM Manual 15 requirements regarding offer cost components. The other cost-types in the proposed Rider ESM cannot be included in the price at which the Company offers generation to PJM since they aren't variable production costs and don't comply with PJM Manual 15.

**PERSON RESPONSIBLE:** Sarah E. Lawler/Scott Burnside

**REQUEST:**

Refer to the Application, the Direct Testimony of Bruce L. Sailors, 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.

**RESPONSE:**

- a. See STAFF-DR-03-004 Attachment being uploaded electronically and a copy provided on CD. There are 3 worksheets in this attachment. The first worksheet is a copy of Exhibit BLS-2 for reference. The second worksheet is a revised BLS-2 table reflecting corrections to Rate DT discussed in NKU-DR-01-006 and NKU-DR-02-001. The third worksheet is a revised BLS-2 table reflecting witness Ziolkowski's revised cost of service study referenced in STAFF-DR-02-088 and incorporating the Rate DT corrections referenced above. Note that the third worksheet is identical to the second worksheet due to the fact that none of the customer component revenue requirements have changed in the revised cost-of-service study.

- b. Similar to Company's response to STAFF-DR-02-066, the customer components do not change in the alternate cost of service scenarios, average in excess and summer/non-summer. Therefore, the resulting tables are the same under both scenarios. See (a) above.
- c. There are two comments under the "\*\*\*" notation. First, Company notes that there are no customers currently with single phase secondary service on Rate DT. Second, the cost of service customer component revenue requirement is reduced by revenues collected through the Rate RTP program charge for DT customers.
- d. The "\*\*\*\*" notation notes that the cost of service customer component revenue requirement is reduced by the revenues collected through the Rate RTP program charge for TT customers.

**PERSON RESPONSIBLE:** Bruce L. Sailors

**STAFF-DR-03-004**

**Attachment**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**REQUEST:**

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.

**RESPONSE:**

- a. The premium is calculated by covering the variance-at-risk for Duke Energy Kentucky fixed bill participants. Risks associated with a fixed bill program include weather risk, rate risk, asymmetrical customer risk (i.e. Customers with a student returning from college more likely to enroll than one whose student is leaving), and implementation risk (i.e. meter reading error).
- b. The fixed bill monthly amount is calculated by modeling the customer's actual usage, simulating that model through 30+ years of weather, and obtaining the 50th percentile for each month. Expected prices for the next 12 months are applied to the

monthly 50th percentile usage and multiplied by the premium. Any fixed charges, such as the customer charge, do not get the premium applied to them.

c. See Attachment STAFF-DR-03-005(c) being uploaded electronically and a copy provided on CD.

d. The Company believes that the premium in the Fixed Bill program appropriately accounts for customers participating and then attempting to leave the program.

**PERSON RESPONSIBLE:** Sasha Weintraub/Tim Duff



**STAFF-DR-03-005 (c)**

**Attachment**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**REQUEST:**

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.

**RESPONSE:**

a. The Company was not planning to amend its tariffs to include these programs as the availability of these is tied to the presence of an electric AMI meter. The Company believes its tariffs are sufficiently descriptive for its basic provision of services for all customers. The Company desires to keep its general terms and conditions of service tariffs similar for gas and electric and standard for customers. These programs are both optional for customers. These programs are only enabled through the recent approval and installation of AMI and are only available for those customers that have AMI electric/gas meters and not to customers that elect to opt-out of AMI or for gas only customers that only have an AMR device. Usage alert is simply providing customers with updates regarding

their usage by text or email. Customers have the ability to request not to receive such notifications. Similarly, pick your own due date is simply a convenience program for customers that allows a customer to choose a different billing cycle/due date than the one they were assigned to coincide with manual meter reading routes when the account was placed into service. Neither of these programs substantially changes the Company's basic provision of service. The Company was planning to include information regarding these programs through bill inserts, website advertising, and other direct notifications to customers that will have the capability once devices are installed and enabled.

- b. The Company would be willing to include these programs in its tariffs.

**PERSON RESPONSIBLE:** Sasha Weintraub/Tim Duff

**STAFF-DR-03-007**

**REQUEST:**

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.

**RESPONSE:**

2008 - \$23M variance between actuals and budget is due to AMI project delays, lower customer additions than budgeted, and scope changes and delays in projects at Woodsdale.

2009 – (\$6M) variance between actuals and budget is due to the pullforward of Woodsdale Unit 5 overhaul, partially offset by lower T&D maintenance projects and lower customer additions than budgeted.

2010 – (\$19M) variance between actuals and budget is due to increased T&D spend.

2011 – no material variances

2012 - \$24M variance between actuals and budget is due to a project cancellation at East Bend and project delays at Miami Fort and Woodsdale.

2013 - \$3M variance between actuals and budget is due to environmental regulation delays.

2014 – (\$4M) variance between actuals and budget is due to increased maintenance spend at East Bend.

2015 – (\$19M) variance between actuals and budget is due to emergent ash basin work and timing of projects at East Bend.

2016 - \$12M variance between actuals and budget is due to solar project delayed into 2017.

**PERSON RESPONSIBLE:** Robert H Pratt

**STAFF-DR-03-008**

**REQUEST:**

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.

**RESPONSE:**

a. 2006 – (\$8.6M) variance due to Woodsdale overhaul #1 project delays from 2005, and New Business South Area project accelerated from 2008.

2008 - \$13.6M variance due to Woodsdale overhaul #2 project delayed into 2009 and 2010.

b. As stated in the previous response: "Note that actuals were tied to the FERC Form 1 cash flows for annual periods 2006, 2007, and 2008 less the actuals for specific projects provided for request STAFF-DR-02-01b. This would include both Electric and Gas capex." Total actual capital expenditures for electric operations in isolation are not available for these periods. Therefore, the variances in estimated versus actual capital expenditures are primarily due to actual amounts

including gas projects, while estimated capital expenditures supplied in the prior rate case were specific to electric operations. The actual amounts provided in the previous response were sourced from the FERC Form 1, which includes both electric and gas related capital expenditures.

**PERSON RESPONSIBLE:**            Robert H. Pratt

**Duke Energy Kentucky**  
**Case No. 2017-00321**  
**Staff Third Set Data Requests**  
**Date Received: November 28, 2017**

**STAFF-DR-03-009**

**REQUEST:**

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.

**RESPONSE:**

- a. DEBS direct charges comparing twelve months ending November 2012 versus twelve months ending November 2017 does show an increase of approximately \$36 million driven mostly by capital spend. For example, Account 107 increased \$17.8 million in 2017 primarily due to an increase in capital spend attributable to the recently approved SmartGrid Advanced Metering Upgrade, as well as other infrastructure upgrades, and the ENABLE software upgrade. Account 565 increased \$10.6 million primarily due to an increase in PJM Network Integration Transmission Services expense. DEBS employees are responsible for recording these invoices, so they are assigned DEBS responsibility center that is directly charged to Duke Energy Kentucky. Account 557 increased \$5 million primarily due to an increase in contract services charges paid by DEBS on behalf of Duke Energy Kentucky. Account 186 increased \$3.8 million primarily due to an



increase in support labor being charged to a power delivery departmental clearing account. This is in relation to the number of power delivery projects being implemented. The dollars in this account are spread at the departmental level to the various power delivery work performed and projects implemented, but do not retain a DEBS identifier.

- b. See STAFF-DR-03-009(b) Attachment for the direct charges from DEBS for the 12 months ended November 30, 2015, through November 30, 2017. Please note that the actuals have been updated through October 31, 2017.

**PERSON RESPONSIBLE:** Jeff Setser

Sum of Row Labels	Sum of Monetary Amount JD	12 Months Ended Nov '15	12 Months Ended Nov '16	*12 Months Ended Nov '17	
105100		\$	2,623	\$	1,800
107000		11,807,781	13,544,523	27,932,551	
108000		(133,181)	133,181		
108600		(3,664)	19,975	(24,427)	
108620		28,312	16,190	31,543	
108640			32,251	33,316	
121500				118,583	
163110		1,452,636	1,199,148	1,563,519	
163120			53,833	48,717	
182359		229			
182398		187	(71)		
182401		848,560	(440,912)	80,540	
182493				2,698,460	
182714				132,380	
183000		819	(195,912)	1,699	
184460		(618)			
185000		(1,100)	1,425	(16,558)	
186108				336,382	
186110		179,894			
186120		3,969,290	4,100,013	5,343,058	
228280		231	73		
230315		2,679	2,731		
253062				774	
401100		7			
403002		133,181	(133,181)	(2,699,460)	
407354		(848,560)	2,664,666	(80,614)	
408050		17,334	17,319	18,561	
408121		17,734	17,716	18,989	
408960		761,450	788,543	725,092	
415530		(280,830)	(473,681)	(629,499)	
416330		46,516	70,441	409,228	
417007		66	81	53	
417310		7,736	32,635	75,107	
417320		17,448	12,601	10,568	
419110			(5,645)		
421060			91		
426100		228,161	227,560	267,376	
426300					
426400		211,403	259,230	268,685	
426510			855	(892)	
426512		25,060	24,174	27,530	
426540		619	118	-	
431002		93,999	79,696	64,704	
431900		203,541	203,681	223,528	
432000			(2,411)		
451100		(32,473)	(37,430)	(15,639)	
454300		(10,686)	(10,892)	(11,833)	
454400		(23,603)	(22,100)	(7,282)	
456100				(2,170)	
457100			(197,130)	215,050	
457105				(226,080)	
457204				(234,251)	
500000		2,054,585	2,086,755	1,903,440	
501150		75,982	86,933	60,520	
501160			591		
501350		1,273	4,836	5,118	
502100		160,481	206,553	234,759	
506000		865,132	1,082,381	531,280	
510000		2,236,439	2,380,095	1,933,882	
510100			21,709	355	
511000		199,050	38,061	46,776	
512100		253,784	108,859	18,851	
513100		77,177	48,348	62,933	
514000		168,794	376,622	58,070	
524000			(24)		
532100				(5)	
535000			(5)	(16)	
542000				(1)	
545100		318			
546000		265,849	298,966	298,557	
548100		5,696	6,366	6,564	
549000		226,198	271,961	304,715	
551000		15,309	1,780	15,159	
552000		12,011	11,687	199	
553000		43,071	43,014	2,951	
554000		10,546			
556000		911	1,053	1,257	
557000		2,788,118	3,258,652	8,088,078	
560000		6,478	2,774	2,673	
561100		83,792	100,182	108,220	
561200		380,106	471,474	487,465	
561300		51,496	65,960	66,484	
561400				922,684	
561500		1,761	6,212	2,643	
561800				(2,232,834)	
562000		69,347	62,945	60,843	
563000		35,580	9,026	9,680	
565000		9,939,757	11,361,022	14,981,695	
566000		292,375	493,725	403,463	
566100			610	82	
567000		445	445		
569000		12,873	23,912	4,694	
569100		3,970	2,454	726	
569200		263,683	210,720	95,562	

570100	200,646	183,585	104,776
570200	10,409	10,624	6,025
571000	81,181	63,921	73,442
575700	1,608,373	1,655,538	1,052,092
580000	114,185	69,441	46,800
581004	427,209	417,925	403,271
582100	138,085	112,901	156,583
583100	(22,245)	182,897	2,137
584000	64,234	31,901	25,812
586000	140,570	136,211	38,947
587000	321,500	231,667	66,137
588100	817,616	1,083,273	873,644
590000	1,127		
591000	11,330	6,010	1,906
592100	224,281	254,051	138,401
592200			20,612
593000	1,076,545	1,418,599	2,865,672
594000	107,817	143,675	157,577
595100	31,529	26,594	364,746
596000	182,407	303,596	411,820
597000	372,105	285,482	43,042
680000			4
685000			(1)
901000	144,391	100,626	13,574
902000	14,815	27,601	4,617
903000	895,295	706,802	639,364
903100	15,809	33,933	84,052
903200	118,747	1,426,114	1,087,049
903300	12,489	48,617	113,331
903400		240	
904000			(176,918)
904001	46,893	(58,550)	94,223
908140	385		
908150	70		
909650	10,487	6,350	5,809
910000	31,772	1,400	9,454
910100	64,356	141,499	105,420
912000	540,982	521,349	188,065
913001	23,467	13,292	27,942
920000	1,932,327	2,028,665	2,060,272
921100	144,702	85,794	79,518
921110	1	59	37
921200	259,521	259,731	288,416
921300	31		218
921400	110,873	103,972	157,570
921540	(4,671)	(916)	5,190
921500	(194)	(136)	(76)
921980	12,418	(108)	(35)
923000	599,041	385,665	408,810
925000	60,275	51,426	36,354
926000	12,393	(309)	(221)
926600	2,226,644	2,121,346	1,904,261
928006	678,899	699,234	699,926
930150	537	77	4,883
930200	14,404	20,805	16,589
930220	13,500	11,076	25,636
930230	28,965	20,533	16,405
930250	(5,324)	(4,347)	(3,646)
930600			
930700	4,200	-	1,470
930940	503	100	(589)
931001	20,304	20,035	21,047
931008	439,645	821,288	829,982
932000		7	
935100	10,925	13,529	(1,481)
935200	(4)		
999998			(555)
186027			380
<b>Grand Total</b>	<b>\$ 3,711,263</b>	<b>\$ 61,356,874</b>	<b>\$ 80,868,001</b>

\*Includes October actuals and November annualized amounts

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-010**

**REQUEST:**

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.

**RESPONSE:**

Please see STAFF-DR-03-010 Attachment that consists of a revised Sheet No. 25 Section VI – Billing and Payment that includes proposed language for budget payment plans and the Fixed Bill payment option.

**PERSON RESPONSIBLE:** Bruce L. Sailors

Duke Energy Kentucky, Inc.  
4580 Olympic Blvd.  
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2  
Third Revised Sheet No. 25 (T)  
Cancels and Supersedes  
Second Revised Sheet No. 25 (T)  
Page 1 of 3

## SECTION VI - BILLING AND PAYMENT

### 1. Billing Periods - Time and Place for Payment of Bills.

Bills ordinarily are rendered regularly at monthly intervals, but may be rendered more or less frequently at Company's option. Bills may be rendered by hand delivery, mail, electronically, or by any other reasonable means. If bills are rendered electronically then a charge not to exceed \$0.25 per usage may be assessed. Non-receipt of bills by customer does not release or diminish the obligation of Customer with respect to payment thereof.

The word "month" as it pertains to the supply of service shall mean the period of approximately thirty days between meter readings as fixed and made by Company. Meters are ordinarily read at monthly intervals but may be read more or less frequently at Company's option but no less than quarterly. Company shall have the right to establish billing districts for the purpose of reading meters and rendering bills to customers at various dates. A change or revision of any Rate Schedule shall be applicable to all bills on which the initial monthly meter reading was taken on or after the effective date of such change or revision, except as otherwise ordered by the Kentucky Public Service Commission.

Bills are due on the date indicated thereon as being the last date for payment of the net amount, or as otherwise agreed to, and bills are payable only at the Company's offices or authorized agencies for collection. When not so paid, the Gross Monthly Bill, which is the Net Monthly Bill plus 5% is due and payable. If a partial payment is made, the amount will be applied to items of indebtedness in the same order as they have accrued, except that any payment received shall first be applied to the bill for service rendered.

The Company may issue interim bills based on average normal usage instead of determining actual usage by reading the meter. Interim bills may also be used when access to Company's meter cannot be obtained or emergency conditions exist.

### 2. Information on Customer Bills.

Every bill rendered by the Company for metered service will clearly state:

- (a) The beginning and ending meter readings for the billing period and the dates thereof.
- (b) The amount of energy usage.
- (c) The amount due for the energy used, any adjustments, including assessed late payment charges, and the gross amount of the bill.
- (d) The rate code under which the customer is billed.
- (e) The date of the last day payment can be made without a late payment charge being assessed.
- (f) Any previous balance.
- (g) The address, phone number, and business hours of the Company.
- (h) The date of the next scheduled meter reading.
- (i) The date after which received payments are not reflected in the bill.
- (j) The type of service rendered (gas or electric).
- (k) The amount, and identification, of any tax or fee the Company is authorized either by state law or order of the Commission to collect.

Issued by authority of an Entry of the Kentucky Public Service Commission dated \_\_\_\_\_, 201\_ in Filing No. 2017-00321. (T)  
(T)

Issued: September 1, 2017

Effective: October 1, 2017 (T)

Issued by James P. Henning, President (T)

Duke Energy Kentucky, Inc.  
4580 Olympic Blvd.  
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2  
Third Revised Sheet No. 25 (T)  
Cancels and Supersedes  
Second Revised Sheet No. 25 (T)  
Page 2 of 3

**SECTION VI - BILLING AND PAYMENT (Contd.)**

**3. Charge for Restoring Service for Non-Payment of Bill and Unlawful Use of Service.**

Company may charge and collect in advance the sum as specified on Tariff Sheet "Charge for Reconnection of Service" for reconnecting a customer's service after service is disconnected because of non-payment of bill when due or when service is discontinued because of fraudulent use, except as may be provided by 807 KAR 5:006, Section 15, Winter Hardship Reconnection.

**4. Temporary Discontinuance of Service.**

If any customer on a residential rate, because of absence or otherwise, shall notify Company in writing or by telephone to discontinue service, Company will make no minimum charge for any full meter reading period during the period of discontinuance; provided, however, that Company may charge and collect the sum as specified on Tariff Sheet "Charge for Reconnection of Service" prior to reconnecting a service which was discontinued at customer's request within the preceding twelve months.

**5. Selection of Rate Schedule.**

When a prospective customer makes application for service, Company will, upon request, assist in the selection of the Rate Schedule most favorable to customer or the service requested. The selection will be based on the prospective customer's statement as to the class of service desired, the amount and manner of use, and any other pertinent information.

**6. Change to Optional Rate Schedule.**

A customer being billed under one of two or more optional Rate Schedules applicable to his class of service may elect to be billed on any other applicable Rate Schedule by notifying Company in writing, and Company will bill customer under such elected Schedule from and after the date of the next meter reading. However, a customer having made such a change of Rate Schedule may not make another such change within the next twelve months. At 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. (T)  
(T)

**7. Availability of Budget Billing and Fixed Bill.** (T)

Company has available to its customers a "Budget Billing Plan" and a Fixed Bill payment option which reduce and minimize billing amount fluctuations over a twelve month period. The Company may exercise discretion as to the availability of such plans to a customer based on reasonable criteria, including but not limited to: (T)  
(T)  
(T)

- (a) Customer's recent payment history.
- (b) The amount of the delinquent account.
- (c) Customer's payment performance in respect to any prior arrangements or plans.
- (d) Any other relevant factors concerning the circumstances of the customer including health and age.

If the customer fails to pay bills as rendered under the Budget Payment Plan or Fixed Bill payment option, the Company reserves the right to revoke the plan, restore the customer to regular billing and require immediate payment of any deficiency. (T)

Issued by authority of an Entry of the Kentucky Public Service Commission dated \_\_\_\_\_, 201\_ in Filing No. 2017-00321. (T)  
(T)

Issued: September 1, 2017

Effective: October 1, 2017 (T)

Issued by James P. Henning, President (T)

Duke Energy Kentucky, Inc.  
4580 Olympic Blvd.  
Erlanger, Kentucky 41018

KY.P.S.C. Electric No. 2  
Third Revised Sheet No. 25 (T)  
Cancels and Supersedes  
Second Revised Sheet No. 25 (T)  
Page 3 of 3

**SECTION VI - BILLING AND PAYMENT (Contd.)**

Failure to receive a bill in no way exempts customer from the provisions of these terms and conditions.

Budget Billing Plan Description:

Annual Plan:

- The Annual Plan provides 11 months of equal payments by using 12 months of customer's usage, dividing the usage by 11, and using the result to calculate the bill. (T)
- Month 12 is a settle-up month between the billed amounts and customer bills based on actual usage. (T)
- A bill message is sent after 6 months with a suggested new bill amount if the budget bill amounts compared to the actual bill amounts exceeds a Company set threshold; however, Customer must contact Company to change the amount. (T)
- The budget bill amount is changed as needed after the 12 month review. (T)

Quarterly Plan:

- The Quarterly Plan provides 3 months of equal payments starting by using 12 months of customer's usage, dividing the usage by 12, and using the result to calculate the bill. (T)
- However, to prevent a settle-up month, reviews occur after 3, 6, 9, and 12 months on the plan and continue every 3 months thereafter. (T)
- The budget bill amount is changed as needed after each review. The change is automatic and the customer does not need to contact Company. (T)
- A bill message is sent after each review with a new bill amount if the budget bill amounts compared to the actual bill amounts exceeds a Company set threshold. (T)

Fixed Bill Plan Description:

- The Fixed Bill payment option provides residential customers 12 months of equal payments with no settle-up. (T)
- Company will calculate a fixed monthly bill amount for Customer using Customer's past usage history. (T)
- Customer's usage will be reviewed regularly and significant changes in Customer's consumption behavior may require the Fixed Bill amount to be recalculated before the 12 month period ends. (T)
- Company will recalculate the Fixed Bill amount every 12 months and Customer must re-enroll in the Fixed Bill payment option every 12 months. (T)
- Company may provide the option to terminate the Fixed Bill option prior to the end of the first 12 month participation period if Customer has paid a total amount under Fixed Bill that is greater than or equal to what would have been billed under Rate RS using Customer's actual usage. (T)

**8. Partial payment Plans.**

The Company shall negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice according to the regulations governing failure to pay, except the Company shall not be required to negotiate a partial payment plan with a customer who is delinquent under a previous payment plan.

**9. Bill Format.**

The Company has included as Appendix A to these Service Regulations an example of the Company's customer bill format.

Issued by authority of an Entry of the Kentucky Public Service Commission dated \_\_\_\_\_, 201\_ in Filing No. 2017-00321. (T)

Issued: September 1, 2017

Effective: October 1, 2017 (T)

Issued by James P. Henning, President (T)

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-011**

**REQUEST:**

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.

**RESPONSE:**

See Response to STAFF-DR-03-010.

**PERSON RESPONSIBLE:** Sasha Weintraub



**Duke Energy Kentucky**  
**Case No. 2017-00321**  
**Staff Third Set Data Requests**  
**Date Received: November 28, 2017**

**STAFF-DR-03-012**

**REQUEST:**

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.

**RESPONSE:**

Economic development activities are currently funded by shareholders because the expenses for these activities were removed from the test period in Case No. 2006-00172. In addition, the Duke Energy Foundation provides both matching grant dollars for site readiness as well as urban revitalization dollars to qualifying projects. The Duke Energy Foundation grants are funded through Duke Energy shareholders.

There are no economic development activity costs in the Company's rate base.

**PERSON RESPONSIBLE:**            William Don Wathen Jr.

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-013**

**REQUEST:**

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.

**RESPONSE:**

Duke Energy Kentucky did not include costs of the Targeted Underground Program in the 13 month average rate base for the forecasted test period because substantially all of the costs will be incurred after the test period. While initial design engineering would commence following program approval, the nature of the program will take time to ramp up as it would involve discrete circuit redesign and acquisition of easements from customers. The Company proposed recovery through Rider DCI to track actual costs in a transparent manner rather than assume some level of ongoing costs that may not reflect actual year to year spend. Further, the Company proposes Rider DCI as a mechanism to enable implementation of future reliability and integrity improvement programs in between rate cases, with Commission approval, without reducing budgets of other necessary reliability programs or initiatives.

**PERSON RESPONSIBLE:** Sarah E. Lawler / Tony Platz

**REQUEST:**

Refer to Duke Kentucky's (incorrectly designated as Kentucky Power) 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.

**RESPONSE:**

- a. The primary reason for increased vegetation management expenses is due to the constricted labor markets with too few qualified tree companies. Also driving cost is the competitive labor market with vendors unable to attract and retain stable workforce due to other infrastructure projects requiring similar skillsets.
- b. Due to the factors mentioned above the tree trimming companies are increasing their prices. Price increases are being seen by all qualified tree companies.

c.

Year ending	Distribution	Transmission	Total
3/31/2020	\$4,040,931	\$621,203	\$4,662,134
3/31/2021	3,558,902	441,248	4,000,150
3/31/2022*	2,669,177	330,936	3,000,113

\*Note that the forecast does not extend beyond December 2021, therefore this line represents vegetation management expenses for the nine months of April 2021 through December 2021.

**PERSON RESPONSIBLE:** April Edwards

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-015**

**REQUEST:**

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.

**RESPONSE:**

- a. See AG-DR-01-041 Attachment 1, provided in electronic format, that shows the calculation of electric operations property taxes for the forecasted period.
- h. See response to item a, for the forecasted period. For base period calculation, see STAFF-DR-03-015 Attachment being uploaded electronically and a copy provided on CD.

**PERSON RESPONSIBLE:** Cooper Monroe/Robert H. Pratt

**STAFF-DR-03-015**

**Attachment**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**REQUEST:**

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.

**RESPONSE:**

- a. No. The total outage/production expense for the nine-year period listed in the response is \$62,700,122.

- b. No. The average annual outage/production maintenance expense for the nine-year period listed in the response to item a, is \$6,966,680 ( $\$62,700,122 \div 9 = \$6,966,680$ ).
- c. The method of calculating the average outage/maintenance expense in Staff-DR-03-016, parts (a) and (b), is not appropriate because (1) it uses projected data beyond the forecasted test period and (2) it fails to account for cost increases related to inflation.
- d. The numbers proposed in item d are incorrect for several reasons. As noted in response to items a and b, the Company believes that the Staff's total outage expense for the nine year period, and as a result its nine-year average for the period, are incorrect. In addition, the Staff appears to have mistakenly confused two adjustments, Schedule D-2.30, annualization of East Bend maintenance expense, and Schedule D-2.33, normalization of planned outage expense. Staff's proposal compares a nine-year average of outage expenses (\$7,723,438) to the test period East Bend maintenance expense as shown on WPD-2.30a (\$5,575,440). Please see response to STAFF-DR-02-023(a) for a discussion of the differences in these two adjustments. Performing the calculation correctly would reduce the Company's proposed planned outage expense adjustment by \$1,433,267 ( $\$6,966,680 - \$7,394,172 = (\$427,492)$ ) ( $\$1,005,775 + 427,492$ ).
- e. See response to item c. The adjustment proposed in Schedule D-2.33 is necessary to reflect a normal amount of planned outage O&M in the forecasted test period for recovery in rates.

**PERSON RESPONSIBLE:** Sarah E. Lawler



**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-017**

**REQUEST:**

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.

**RESPONSE:**

The amounts shown in response to STAFF-DR-02-028, in the "Impact to Customers" column, represent estimated additional credits to customers based on the Company's proposed changes to Rider PSM and therefore would be advantageous to Duke Energy Kentucky customers. The amounts in the "Financial Impact" column represent the negative impact to the Company and its shareholders, on an after-tax basis, if the proposed changes to Rider PSM had been in effect "for 2016, 2017 to date, the base period, and the test period."

**PERSON RESPONSIBLE:** Sarah E. Lawler

**REQUEST:**

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.

**RESPONSE:**

- a. The end of life associated with the Duke Energy Kentucky ash pond asset retirement cost included in our request for recovery through the ESM rider is June 2041.
- b. No, we did not determine the results of alternative time periods. The ten-year period was chosen as a reasonable period of time to allow Duke Energy Kentucky to recover the majority of the costs necessary to comply with the CCR Rule related to closing the East Bend coal ash basin while at the same time providing ratepayers a reasonable period of time over which to reimburse these costs. The majority of the spend related to this obligation is expected to be complete by 2021, with post-closure maintenance extending through 2049. This ten-year period minimizes the impact to ratepayers by extending the recovery several years beyond the closure of the ash basin. Please note that

the costs included in the recovery schedule filed with this testimony exclude closure of the dry ash landfills and post-closure maintenance.

- c. Duke Energy Kentucky did not include post-closure costs in the current request for recovery through the ESM rider. The Company intends to include these costs in a future case.

**PERSON RESPONSIBLE:** Cynthia S. Lee

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-019**

**REQUEST:**

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.

**RESPONSE:**

Yes. As explained in response to Staff-DR-02-027(a), "Because of the magnitude of this regulatory asset, the Company weighed its interest in timely recovery against the interest of mitigating the impact on customers' bills and determined that a ten-year amortization struck a reasonable balance between these competing interests."

**PERSON RESPONSIBLE:** William Don Wathen Jr.

**Duke Energy Kentucky**  
**Case No. 2017-00321**  
**Staff Third Set Data Requests**  
**Date Received: November 28, 2017**

**STAFF-DR-03-020**

**REQUEST:**

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.

**RESPONSE:**

Duke Energy Kentucky pays shipping expenses for fly ash transported via truck from Zimmer to East Bend. Dynegy pays East Bend a fee to offset a portion of these shipping expenses. The shipping expenses and associated offset are included in the test period. The Company is not proposing to include the shipping expenses or the partially offsetting fees in Rider ESM. The following table summarizes the amounts incurred in 2016 and through October 2017 and amounts included in the forecasted test period.

	<u>2016</u>	<u>YTD Oct 2017</u>	<u>Test Period Apr18-Mar19</u>
Flyash Trucking expense	\$634,962	\$499,244	\$963,224
Dynegy fee	<u>(57,015)</u>	<u>(94,507)</u>	<u>(58,074)</u>
Net expense	\$577,947	\$404,737	\$905,150

At this time, the Company is only proposing to include specific projects associated with the closure of ash ponds and reagent expenses in Rider ESM. Costs of the landfills' construction and operation incurred to date are not being proposed as part of Rider ESM.

Rather those costs are included in the forecasted test period and therefore proposed to be recovered in base rates.

**PERSON RESPONSIBLE:** Sarah E. Lawler

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-021**

**REQUEST:**

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.

**RESPONSE:**

See STAFF-DR-03-021 Attachment, being uploaded electronically and a copy provided on CD, for updates to DCF estimates without Avista. The average DCF result using Value Line forecasts increases from 9.4% to 9.6% while the average DCF estimate using analysts forecasts remains unchanged at 9.0%.

**PERSON RESPONSIBLE:** Dr. Roger Morin, Ph.D.

**STAFF-DR-03-021**

**Attachment**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**



**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-022**

**REQUEST:**

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.

**RESPONSE:**

See STAFF-DR-03-022 Attachment 1.XLSX and STAFF-DR-03-022 Attachment 2.XLSX attached, being uploaded electronically and a copy provided on CD.

**PERSON RESPONSIBLE:** Bruce L. Sailors

**STAFF-DR-03-022**

**Attachment 1**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**STAFF-DR-03-022**

**Attachment 2**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**Duke Energy Kentucky  
Case No. 2017-00321  
Staff Third Set Data Requests  
Date Received: November 28, 2017**

**STAFF-DR-03-023**

**REQUEST:**

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.

**RESPONSE:**

Engineering is part of the fully loaded field operations labor rate. Engineering represents the costs of engineering time and expenses. Our Engineering group is responsible for ensuring our system continues to remain safe, reliable, and efficient.

**PERSON RESPONSIBLE:** Bruce L. Sailors

**STAFF-DR-03-024**

**REQUEST:**

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.

**RESPONSE:**

a. The Company included the FAC in the present revenues because it is a component of the total fuel cost. The fuel expense contained within the revenue requirement model is comprised of both base fuel and FAC fuel. The fuel revenue amounts that appear in the revenue requirements model, the COSS, and the Schedule M include both base fuel and FAC. The revenues match the fuel expenses that are included in the filing. If the FAC revenue is removed from the COSS model, an equal amount of fuel expense should be removed from the filing schedules to synchronize fuel revenue and expense.

b. See the response to part a. The Company believes that it would not be appropriate to remove only FAC revenue from the filing schedules without making an equal adjustment to fuel expense. STAFF-DR-03-024 Attachment, being uploaded

electronically and a copy provided on CD, is a revised version of tab WP FR-16(7)(v) Rate Incr in the COSS model. To prepare this revised schedule, the following items were changed:

- FAC revenues in the amount of \$4,183,310 were removed from the Present Revenues column.
- In the COSS model, fuel expenses were reduced by \$4,183,310.
- The total as-filed rate increase of \$48,646,222 was pasted into the total field in the column Rate Increase (Allocated to class based on Rate Base).

**PERSON RESPONSIBLE:** James E. Ziolkowski

**STAFF-DR-03-024**

**Attachment**

**EXCEL**

**UPLOADED**

**ELECTRONICALLY**

**AND COPY**

**PROVIDED ON CD**

**REQUEST:**

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.

**RESPONSE:**

a. For the test period 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. The Company provides a market competitive package of compensation. This market competitive compensation is delivered through base pay, a short-term incentive, and for a subset of employees, a long-term incentive. All of these components together represent market competitive compensation. [Please see TS-6 for the benchmarking information that we previously submitted to confirm that the amount of our compensation is market competitive.] The



Company's management has made the decision that it is reasonable and necessary to offer a portion of long-term incentive through restricted stock units in order to attract and retain top industry talent. Providing a portion of market competitive compensation through restricted stock units aligns our leaders with customers because the restricted stock units instill a long-term focus as they only become fully vested and earned if the leaders remain employed for three years after the restricted stock units are granted. If the Companies did not provide incentive opportunities to their employees, the same target value of incentive compensation would need to be added to base pay in order to maintain market-competitive compensation for its employees. Put another way, whether it is in base pay or a combination of base pay and incentives, Duke Energy must keep its total compensation package competitive in order to attract and retain a competent workforce. Market competitive compensation is a proper and reasonable expense that is allowable in rate base. The Company respectfully submits that the manner in which compensation is paid does not impact that fact that it is reasonable expense.

**PERSON RESPONSIBLE:** Jeff Setser (a)  
Tom Silinski (b)