COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In The Matter of:

The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief.	)	Case No. 2017-00321

DUKE ENERGY KENTUCKY, INC.'S PETITION FOR REHEARING

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky or Company), by counsel, and respectfully petitions the Commission to grant rehearing on certain items contained in the Commission's April 13, 2018 Order ("Order"). As grounds for this petition Duke Energy Kentucky states as follows:

Duke Energy Kentucky filed an Application seeking a $48,646,213 increase in its base electric rates and certain other relief on September 1, 2017. Following the enactment of the Tax Cuts and Jobs Act in December 2018 and the filing of rebuttal testimony, Duke Energy Kentucky voluntarily lowered its requested base rate increase to $30,119,059. The Commission issued its Order on April 13, 2018 and, *inter alia*, recognized the Company's need to increase its base electric rates in order to achieve slightly more than $8.4 million in additional revenue annually.

The Company accepts many of the findings of fact and conclusions of law set forth in the Order. However, there are certain important issues that appear to have been omitted from the

Order or that require clarification, and other findings that were inconsistent with the Commission's precedent. Accordingly, Duke Energy Kentucky tenders this petition for rehearing, pursuant to KRS 278.400.

1. Revenue Requirement

In reviewing the Commission's Order, the Company has been unable to reconcile the difference between the revenue requirement sought in its initial application to the Commission's ultimate award of $8,428,645.[1] Based upon the Company's understanding of the various adjustments made by the Commission,[2] it should have been awarded an additional $845,525 in the calculation of the Company's revenue requirement. Because the Company does not have access to workpapers of the Commission or its Staff, it is unable to determine how the amount set forth in the Order was calculated. Notwithstanding the Company's objection to several of the Commission's adjustments as discussed more fully below, mathematically, the Commission's adjustments to the Company's revenue requirement as set forth in the Commission's Order actually produces a final revenue requirement of $9,274,170. Accordingly, Duke Energy Kentucky requests that the Commission grant rehearing to correct its calculation and award it an additional $845,525 in its revenue requirement based upon the adjustments set forth in the Order.

It is important that all of the adjustments made by the Commission be identified inasmuch as some of the unreconciled difference may be related to such things as the amortization of accounting deferrals (*e.g.*, the adjustment for the impact of the change in federal income taxes for January 1, 2018, through March 31, 2018, reflected in the rebuttal testimony of Sarah E. Lawler).

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[1] *See* Order, p. 41.

[2] The Company provided a reconciliation of the adjustments included in the Commission's Order in the course of an informal conference held on April 19, 2018. The reconciliation shows a net increase in the Company's base electric rates of $9,274,170, which is $845,525 more than the $8,428,645 set forth in the Order. The reconciliation was attached as an exhibit to the Informal Conference Memorandum issued on April 25, 2018 and, for convenience, is attached hereto and incorporated herein as Exhibit 1.

2. Vegetation Management Expense

Duke Energy Kentucky demonstrated vegetation management expenses of $4,479,887. The Commission's Order attempted to use a four-year average of the Company's vegetation management expense to arrive at $4,035,571 in allowable expense,[3] which was ultimately included in the Company's revenue requirement. However, the Commission incorrectly calculated the four-year average. In response to Staff's third set of data requests, number 14, the Company provided estimated annual expenses for the twelve months ended March 31, 2020, and March 31, 2021. In that same response, the Company also provided estimated annual expenses for the nine months ended December 31, 2021. To calculate an accurate four-year average, the amount provided by the Company for the nine months ended December 31, 2021, needs to be annualized. Calculating the four-year average correctly would have resulted in vegetation management expenses of $4,285,580. As a result, the Company's revenue requirement should be increased by $250,009.

3. Capitaliztion Adjustment for East Bend Deferral

The Order reduced the Company's revenue requirement by removing $36,540,465 from overall capitalization for the regulatory asset related to the deferral of East Bend operation and maintenance (O&M) expenses, which results in a decrease in the revenue requirement of $3.231 million.[4] As noted on page 25 of the Order, the Commission acknowledges that, in its rebuttal testimony, the Company reduced its overall revenue requirement by $1.555 million to reflect the debt return that is already accruing on the regulatory asset." On pages 31 through 32 of the Order, the Commission references the adjustment once again noting that "[t]he Attorney General argues that Duke Kentucky has already included a debt-only rate of return in the levelized amortization

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[3] *See* Order, p. 18.

[4] *See* Order, pp. 31-32.

expense for East Bend O&M expense regulatory asset and in the revenue requirement." After making that acknowledgement, the Commission conflates the Company's proposed adjustment with the adjustment proposed by the Attorney General. On page 32, the Commission states that the Company "agrees to remove this regulatory asset from capitalization" but this statement is only partially true. In fact, the Company agreed to adjust the return component of its overall revenue requirement only for the return it is actually receiving on this regulatory asset. As the Company stated in its rebuttal testimony, the Attorney General's adjustment to capitalization assumes that the Company is receiving a return on this regulatory asset at the weighted-average cost of capital, but that is not the case. As noted in the rebuttal testimony of Company witness Mr. William Don Wathen:

> A more appropriate way to address the issue raised by Mr. Kollen is to credit the revenue requirement with the return actually expected to be earned on this regulatory asset. As I calculated earlier, the March 31, 2018, balance is now expected to be, $36,114,607. The Company is only allowed to earn a return at the long-term debt rate; so, the overall revenue requirement should be credited with the actual return it can expect to recover through the amortization. Per Schedule J-1, Forecast, the Company's long-term debt rate is 4.243%. Applying this rate of return that will be earned on the East Bend O&M Deferral by the balance at March 31, 2018, suggests that the Company[] will earn a forecasted test year return $1,532,343. Grossing that figure up for bad debt and maintenance fees suggests that the revenue requirement should be reduced by $1,536,562. Mr. Kollen's proposal implies that the Company is earning a return at its weighted-average cost of capital, which is simply not the case. The Company has not asked for this much return and the Commission did not approve of any more than the long-term debt rate when it approved the deferral in the first place. Consequently, the Commission should ignore Mr. Kollen's proposed $3,449,000 reduction to base rates. The correct method to address this is to include a $1,536,562 offset to the test year revenue requirement.[5]

[5] *See* Mr. William Don Wathen Rebuttal Testimony, p. 20 (filed Feb. 14, 2018). This amount was subsequently updated to $1,554,681 in the March 5, 2018, errata filing.

There is no dispute that the Company is only receiving a return at the debt rate, as explicitly noted by the Commission in the Order. However, customers are only being asked to pay for the debt return on the unamortized balance of this regulatory asset; consequently, the offset in the overall revenue requirement should be no more than equal to the amount already included in the base rates. If the regulatory asset is earning a return at the debt rate then the offset customers should receive for this should be no more than the cost of debt.

The Commission's adjustment for "Money Pool," on page 31 of the Order, is a directly analogous situation. The Company is earning only the short-term debt rate on this asset; therefore, the overall revenue requirement should be credited only at the comparable rate of return, *i.e.*, the short-term debt rate, in this case. If the Order followed the same logic as it does for the Money Pool issue to not double-count the return it is receiving, the adjustment to the Company's overall revenue requirement related to the East Bend O&M regulatory asset would have only adjusted the revenue requirement by $1.555 million (as noted on page 25 of the Order) rather than the $3.231 million, on page 32 of the Order, which gives customers more credit for costs than they are paying.

In the event that the Commission chose not to credit the Company's revenue requirement by the long-term debt rate return on the East Bend O&M regulatory asset, Mr. Wathen proposed an alternative:

> An alternative would be to accept Mr. Kollen's adjustment to capitalization as is but then to modify the amortization of the regulatory asset to include a return on the unamortized balance at the weighted-average cost of capital rather than the debt rate. This method, albeit at odds with the Commission's approval establishing the deferral, and the one I proposed above maintains the symmetry of the adjustment Mr. Kollen attempted to make.[6]

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[6] *See id.*, p. 21.

There must be symmetry in the adjustment - either allow the Company to earn a return on the regulatory asset at the overall cost of capital with a corresponding adjustment to overall capitalization or allow the Company to earn a return at the debt rate with a corresponding adjustment to only the long-term debt component of capitalization. Instead, the Order invokes an asymmetry that unfairly punishes the Company by allowing it to earn a return on the regulatory asset at a lower rate (*i.e.*, the long-term debt rate) but then improperly credits the revenue requirement (*i.e.* reducing) at a much higher rate (*i.e.*, the overall cost of capital). Accordingly, Duke Energy Kentucky respectfully requests the Commission grant rehearing to either retain the regulatory asset in capitalization and credit the revenue requirement as proposed by Mr. Wathen or leave the regulatory asset out of capitalization and eliminate the reference to Mr. Wathen's proposed revenue requirement credit.

4. Restricted Stock Units (RSUs)

The Order also reduces the Company's revenue requirement by $1.634 million to account for "earnings-based incentive compensation."[7] However, included within this adjustment is $541,424 attributable solely to the Company's issuance of RSUs that, as discussed below, are not "earnings-based." The record is entirely devoid of evidence that indicates that the RSUs are in any way tied to the Company's financial performance; in fact, the record clearly demonstrates they are not. As Company witness Mr. Thomas Silinski testified, the RSUs are awarded "as a means to improve retention of critical skills and encourage a long-term mindset."[8] In other words, the RSUs are part of an employee's market competitive compensation package and they represent nothing more than a contractual promise to deliver that compensation in the form of Company

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[7] *See* Order, p. 20.

[8] *See* Mr. Thomas Silinski Rebuttal Testimony, p. 7 (filed Feb. 14, 2018).

shares subject to the employee remaining employed with the Company over a pre-determined number of years, regardless of the Company's overall financial performance during the period of employment or at the time of the award.

The Attorney General's singular basis for recommending disallowance of any test year expenses related to incentive compensation is its assertion that "...the Commission historically has disallowed and removed all incentive compensation expenses...that were incurred to incentivize the achievement of shareholder goals as measured by financial performance."[9] Insofar as the record in the case makes clear that there is no relationship between the RSUs and achievement of shareholder goals, there is no basis in the record to disallow this component of the overall revenue requirement. Therefore, the Commission should grant rehearing to increase the Company's overall revenue requirement to reflect an increase of $541,424 for test year expenses tied to compensation that is not in any way tied to the achievement of shareholder goals.

5. Adjustment to Capitalization for Excess ADIT

Although the Order states that Duke Energy Kentucky's "rate base" should be increased by $4,471,984 to account for the accelerated (10-year as opposed to 20-year) amortization of the excess unprotected ADITs and the ARAM methodology for amortizing the excess protected ADITs,[10] it failed to make a corresponding adjustment to capitalization as outlined in the Order's Appendix B. The Company requests the Commission grant rehearing to include the effect on rate base of accelareting the amortization of excess ADITs as an adjustment to capitalization as well.

The Commission correctly observed that the accelerated amortization of the Company's unprotected excess ADITs will increase rate base but neglected to reflect that there will also be an

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[9] Kollen Direct, page 19, lines 3-5.

[10] *See* Order, pp. 8-9.

equal impact on capitalization. An increase in rate base must have a corresponding increase in capitalization. The Commission should have included an adjustment for the increase in rate base in its Appendix B calculations. Applying the pre-tax weighted average cost of capital of 8.446 percent to the $4,471,984 increase in capitalization attributable to the accelerated amortization of excess ADITs, the Company's overall revenue requirement should be increased by $377,704 ($4,471,984 * 8.446%). The Commission made an adjustment to capitalization for every other adjustment it made to rate base but neglected to adjust capitalization for the impact of the accelerated amortization of excess ADITs. Therefore, the Company seeks rehearing to increase its revenue requirement by $377,704 to make this correction.

6. Adjustments Related to the Switch from Average Life Group (ALG) Depreciation to Expected Life Group (ELG) Depreciation

The Order states that the switch from the ELG depreciation method to the ALG depreciation method will result in a $2,733,299 decrease in the calculation of the Company's rate base.[11] The Order later finds that the Company's "accumulated depreciation in its rate base should be increased by $6,919,475," due to the use of ALG instead of ELG for depreciation.[12] The two statements are not consistent and incorrectly interpret the source of data it is relying on for the adjustment to rate base. By requiring Duke Energy Kentucky to use ALG instead of ELG, the Company's depreciation expense is reduced by $6.9 million, annually. That is an annualized adjustment the effect of which will accrue over the test year. On the first day of the test year, there will be no difference in accumulated depreciation between the ALG method and the ELG method. On the last day of the test year, there will be a $6.9 million difference. Rate base (and capitalization) for a forecasted test year are based on a thirteen-month average; therefore, the

[11] *See* Order, pp. 9-10.

[12] *See* Order, p. 11.

impact of the change in depreciation expense would only be an "average" of the change. Therefore, the accumulated depreciation in the test year will be $3.45 million lower by using the ALG method rather than the $6.9 million referenced on page 11 of the Commission's Order.

The lower depreciation expense will also decrease the associated deferred income taxes. The thirteen-month average impact on the accumulated deferred income tax balance is 21 percent of the average of the change in accumulated depreciation (21% * $3.45 million) or $726,545.

The "net" impact on rate base (and capitalization) is the difference between the reduction in thirteen-month average accumulated depreciation ($3.45 million) and the increase in the thirteen-month average of the accumulated deferred income taxes ($726,545). The gist of the correction is that the adjustment is that the finding on page 10 of the Commission's Order that $2,733,299 is an adjustment to rate base "to reflect the increase in ADIT," should say that it is "an adjustment to rate base to reflect the overall impact of the change in depreciation rates to reflect the use of ALG."

7. Rate Case Expense

The Order includes an annual amount of $120,538 in the Company's revenue requirement to account for the five-year amortization of the Company's rate case expense incurred in preparing and presenting its case.[13] The Order does not take into account the rate case expense reported by the Company in its Sixth Supplemental Response to Staff Information Request 01-059, which was filed on April 2, 2018. As shown therein, the Company's total rate case expense was $657,433.68,[14] which would amount to $131,487 over five years. This expense should also be recovered by the Company, and would result in an addition of $10,949 to the Company's revenue

[13] *See* Order, Appendix A.

[14] *See* Company Sixth Supplemental Response to Staff Information Request 01-059 (filed Apr. 2, 2018).

requirement using a five-year amortization schedule. The Company requests the Commission to grant rehearing to account for the entire rate case expense and increase the revenue requirement as set forth above.

8. Cogeneration Tariffs

In modifying the Company's proposed capacity pricing formula within its cogeneration tariffs, the Order fails to include the Company's updated cost of debt approved for the rate of return component and the Commission adjusted capital structure.[15] This error causes the capacity price to be overstated. Though the Company currently does not have any customers participating in its cogeneration tariff, the incorrect capacity pricing mechanism will have a detrimental impact upon future customers since the Company's capacity costs are recovered through Rider PSM. To avoid a situation where Duke Energy Kentucky's residential, commercial, and industrial customers are paying a capacity price exceeding that which was intended or is fair, an adjustment to the Order is necessary. This issue may be resolved simply by updating the cost of debt and the capital structure used in the rate of return calculation and updating the cogeneration tariffs accordingly. In short, the tariff should be updated to reflect the actual rate of return that was approved by the Commission in its Order. Applying the updated values, the Company calculates the capacity value of $3.47 / kW-month.

A second issue arising from the Commission's Order as it relates to the Company's cogeneration tariff focuses upon the nature of the Company's capacity purchase obligation. The Order emphasizes Duke Energy Kentucky's need to purchase capacity from qualifying facilities.[16] While the Company acknowledges this obligation, it notes that 807 KAR 5:054 Section 7(5)

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[15] *See* Order, p. 55.

[16] *See* Order, p. 56.

specifically notes that several factors may be taken into account when negotiating a price for capacity. Juxtaposing a mandatory capacity purchase obligation against the increasingly demanding obligations under the Capacity Performance standards set by PJM Interconnection, LLC (PJM) demonstrates how Duke Energy Kentucky and its customers could suffer economically whenever a cogeneration resource is: (1) incorporated into the Company's Fixed Resource Requirement plan; (2) called upon to generate by PJM; and (3) unable to do so for any reason. In light of the factors set forth in 807 KAR 5:054 Section 7(5) and recent Commission precedent, the Commission should grant rehearing to confirm that Duke Energy Kentucky's mandatory capacity purchase obligation only applies when a qualifying facility is able to meet PJM's Capacity Performance requirements. It stands to reason that if such capacity has no value in PJM and cannot otherwise be relied upon by the Company, that the Company should not be obligated, and customers should not be required to subsidize it.

9. Bill Formats

The Order includes a requirement that every electric and natural gas bill issued by the Company must include all three pages of information included on what is known as the "long" bill.[17] With the exception of a brief line of questioning from Commission Staff at the hearing, the sufficiency of the Company's current bill format was never raised, or given an opportunity to be addressed, in the record.[18] As such, the Order imposes upon Duke Energy Kentucky an obligation to include additional pages in its monthly electric and natural gas bills regardless of whether the customer actually desires to receive the additional information. Moreover, the Order's mandate is unfunded as it fails to award the Company any additional revenue to account for the increased

[17] *See* Order, pp. 67-68.

[18] *See* Hearing Video Record (HVR), 4:22:01 (Mar. 7, 2018).

printing and postage expenses associated with the larger bills. The Company's current billing costs – including all the costs included in the test period – have been based upon residential customers receiving the "condensed" bill. The Company estimates that the cost of the Commission's mandate will amount to approximately $0.023 in increased billing, printing and postage costs per bill, or approximately $45,540 annually, for its electric and natural gas customers.[19]

Duke Energy Kentucky's current "condensed" billing practice began in February 2001, following discussions with Commission Staff and an Order entered in Case No. 2000-00520.[20] The Company has been offering condensed billing as the default billing practice with an option for customers to receive more detailed bills. The Company's condensed bill format was designed such that all of the required information as listed on the Company's Commission-approved tariff is included in the customer bill, with all but the Company's hours of operation appearing on the first page of the bill. This information required to be set forth on the customer bill is as follows:

(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).

[19] *See* Affidavit of Suzanne Kesling attached hereto and incorporated herein by reference as Exhibit 2. $0.023 for additional page printing x 165,000 bills/month x 12 months = $45,540 per year of additional expense.

[20] *See In the Matter of the Application of The Union Light, Heat and Power Company for Approval to Revise its Service Regulations in its Gas and Electric Tariffs*, Order, Case No. 2000-00520 (Ky. P.S.C. Feb. 2, 2001). A copy of the Order is attached hereto and incorporated by reference as Exhibit 3.

(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.[21]

The current condensed bill format includes items (a) through (f) and (h) through (k) on the first page of the customer bill for ease of reading and understanding. The Company contact information is included on the second (back) page of this bill.

As this bill format was approved by the Commission and is part of its tariff, KRS 278.160 and other Kentucky law requires the Company to continue this practice. The Order does not include any explanation as to why the Commission's prior order in Case No. 2000-00520 is unreasonable,[22] nor does the Order account for the increased costs to the Company. Based upon the foregoing, the Commission is requested to grant rehearing to either rescind the requirement to send a long bill to each electric and natural gas customer or, in the alternative, to make a finding of fact explaining why the Commission's prior order in Case No. 2000-00520 is unreasonable and correspondingly increase the Company's revenue requirement by $45,540 to account for the increased expenses associated with complying with the Order's mandate.

In the alternative, Duke Energy Kentucky requests that the Commission permit the Company to continue to offer its customers the option to elect to receive the condensed bill. The Company currently offers customers this choice. The justification for changing to the condensed

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[21] K.Y.P.S.C. Electric No. 2, Second Revised Sheet No. 25, Page 1 of 3, Section IV Billing and Payment. Available on the Commission's website at https://www.psc.ky.gov/tariffs/Electric/Duke%20Energy%20Kentucky/Tariff.pdf.

[22] *See In re Hughes & Coleman*, 60 S.W.3d 540, 543–44 (Ky. 2001).

> It is axiomatic that an administrative agency either must conform with its own precedents or explain its departure from them. An agency changing its course must supply a reasoned analysis indicating that prior policies and standards are being deliberately changed, not casually ignored, and if an agency glosses over or swerves from prior precedents without discussion, it may cross the line from the tolerably terse to the intolerably mute. Consequently, while the agency may reexamine its prior decisions and depart from its precedents, it must explicitly and rationally justify such a change of position.

billing format more than 17 years ago stemmed from both a desire by customers for simplicity and brevity in utility bills and to assist the Company to manage the costs of printing and mailing bills. Both of these are direct benefits to the customers. Customers presently have the ability to request to receive detailed bills in the mail at any time if they so choose. Moreover, customers also have the ability to access their detailed usage information by logging into their account on the Company's portal, where they can view the details of their bills today. Therefore, sending the condensed billing does not deprive customer's the ability to see the detail in their monthly bills, but rather is a convenience. Customers at a minimum should be able to choose whether or not they can continue to receive a summary-level bill that is easier to understand.

10. Regulatory Asset Recovery

As part of its Application, Duke Energy Kentucky sought recovery of several regulatory assets that have previously been authorized by the Commission, including: (1) storm restoration expenses resulting from Hurricane Ike; (2) research and development investments; (3) incremental operational and maintenance (O&M) and incremental depreciation expense related to the acquisition of the entirety of East Bend; and (4) Advanced Metering Infrastructure (AMI) deployment related expenses.[23] While the Commission's Order specifically approves amortization of the East Bend O&M expense and Carbon Management Research Group regulatory assets,[24] it fails to mention the regulatory assets associated with storm restoration efforts associated with Hurricane Ike, incremental depreciation expense related to the acquisition of the entirety of East Bend and Advanced Metering Infrastructure (AMI) deployment costs.

[23] *See* Application, ¶ 11.

[24] *See* Order, pp. 13, 25.

The Order does not state whether these deferral accounts are not the subjects of adjustments which would exclude them from recover, but neither are they included in the Company's stated revenue requiremet. Accordingly, it is unclear from the Order whether the Company has been granted permission to recover the costs of these regulatory assets or whether they will continue to accrue on the Company's books. The Commission is therefore requested to grant rehearing to state whether the Company is authorized to recover the amortized cost of each of the regulatory assets not specifically discussed in the Order and add such amortization to the Company's revenue requierment.

11. Rate Base Adjustments for Regulatory Assets

The Order makes several adjustments to the Company's rate base in the context of a discussion of regulatory assets for the East Bend Ash Pond ARO, the East Bend O&M expense, and the CMRG.[25] However, the Company's test year rate base does not include any regulatory assets; therefore, the Order has the effect of removing from rate base items that were not included in the Company's proposed rate base. The Company acknowledges that the overall revenue requirement was based on calculating a return on capitalization rather than rate base but it is important that the Commission's adjustment to rate base are sound and based on reasonable assumptions. Because the Company's rate base did not include any regulatory assets to start with, it is inappropriate to adjust its rate base downward for non-existent components of the rate base. The Order could have a negative impact upon the Company in the event it chooses in a future rate case to seek a revenue requirement based on a return on rate base rather than on capitalization. The Commission is therefore requested to grant rehearing to delete the adjustments to rate base for regulatory assets that were never included in rate base.

[25] *See* Order, pp. 9-11.

12. Decommissioning Study Approval

The Company sought approval of the Decommissioning Study that was provided along with the testimony of Mr. Jeffrey Kopp.[26] The Order does not address this topic. No party opposed the Decommissioning Study that was provided by the Company, nor did any party have any questions addressed to Mr. Kopp in the course of the hearing.[27] Moreover, the Order expressly affirms that the Company is entitled to recover its net salvage expense and interim net salvage expense in base rates.[28] Accordingly, the Company requests the Commission to grant rehearing to affirmatively state its approval of the Decommissioning Study tendered by the Company.

13. Adjustment to Rider PSM to Account for Environmental Charges Attributed to Wholesale Margins

The Order also directs Duke Energy Kentucky to base the jurisdictional allocation ratio for its monthly environmental surcharge report by using "total jurisdictional retail revenues excluding Rider ESM revenues, divided by total company revenues excluding Rider ESM revenues."[29] To assure that any portion of the Company's environmental expense that is attributable to non-retail sales is still recovered, the Company requests confirmation that it would be appropriate to add a line to Rider PSM to deduct any environmental costs attributed to non-retail load from the off-system sales revenue figure. Thus, Duke Energy Kentucky requests the Commission to grant rehearing so to account for the environmental expense attributed to non-retail load through an addition to Rider PSM.

WHEREFORE, on the basis of the foregoing, Duke Energy Kentucky respectfully petitions the Commission to issue an Order granting rehearing and awarding the relief requested herein.

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[26] *See* Company Brief, pp. 40-41.

[27] *See* HVR 10:22:30 (Mar. 6, 2018).

[28] *See* Order, pp. 27-28.

[29] *See* Order, p. 78.

This 3rd day of May, 2018.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on May 3, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being hand delivered to the Commission on the 3rd day of May, 2018.

Counsel for Duke Energy Kentucky, Inc.

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	**$845,525**	

EXHIBIT

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief.	)	Case No. 2017-00321

AFFIDAVIT OF SUZANNE KESLING

STATE OF NORTH CAROLINA

COUNTY OF CABARRUS

Comes now Affiant, Suzanne Kesling, being first duly cautioned and sworn, deposes and states as follows:

1. My name is Suzanne Kesling.

2. I am currently employed by Duke Energy Business Services LLC as a Director Customer Journey Process. My business address is 1000 E. Main Street, Plainfield, Indiana 46168. Duke Energy Business Services LLC provides various administrative and other services to Duke Energy Kentucky, Inc., (Duke Energy Kentucky or Company) and other affiliated companies of Duke Energy Corporation (Duke Energy).

3. I received Bachelor of Science degree in Business from Indiana State University, Terre Haute, Indiana. In 1994, I participated in the EEI District Manager Development Program.

tabbies EXHIBIT 2

In 1998, I attended the International Service Partnership Program at Indiana University's Kelley School of Business.

4. I have been employed by Duke Energy Corporation and its affiliated and predecessor companies for approximately thirty-one (31) years in various roles of increasing responsibility in the customer service area for Duke Energy. I began my employment with Public Service Indiana (PS)I in January 1987 as Customer Service Supervisor Trainee. I was subsequently promoted to Customer Service Supervisor and performed the duties of this position in several districts throughout Indiana: Noblesville, Columbus, and Bloomington. In July 1994, I accepted the position of District Manager in Huntington, Indiana. In December 1996, I joined the Commercial and Industrial Sales Team as an Account Manager for colleges and universities. In July 1999, I was asked to join the Cinergy Corp. Customer Management System Team that was designing and transitioning six billing systems into one system to handle the billing for all of Cinergy's electric and natural gas customers in Kentucky, Indiana, and Ohio. After seven months on the team, I was selected to manage the Billing Operations Department. After seven months on the team, I was selected to manage the Midwest Billing Operations Department. In 2006, I lead the efforts to develop and implement our Energy Data Management Platform as the General Manager. I continued system and process enhancements as a Project Director in 2009 then moved to a Senior Marketing Manager for Business Markets to set up enhanced system tracking, reporting, & analytics. In February of 2014, I accepted the General Manager Regional Customer Contact Center and Consumer Affairs position for the Midwest and most recently joined the Customer Connect Program as of 2018 to continue representing the needs of the customer.

5. In my current capacity as Director Customer Journey Process, I am responsible for ensuring the customer experience is transformed and enabled with Duke Energy's soon to be designed and implemented new customer information management system.

6. In 2000 through 2001, I was part of the business team responsible for implementing and seeking necessary regulatory approvals in Cinergy Corp's three state jurisdictions (Kentucky, Indiana, and Ohio) to receive and implement changes to the Company's billing processes, which included providing customers with a condensed billing product. The impetus for this condensed billing product was twofold: 1) to respond to customer desire to have an easier to read and understand utility bill that included less paper; and 2) to provide modest savings in terms of costs to serve customers through efficient operations by reducing the printing and postage expense to bill customers.

7. As part of this process, I personally met with the Commission staff in each of the three jurisdictions to explain the Company's desire to implement the condensed billing product and to seek guidance on any necessary regulatory approvals that may be necessary. In 2000, I personally met with the Staff of the Kentucky Public Service Commission, along with other Company representatives, to discuss the condensed billing structure.

8. During said meeting, I explained the Company's proposal to move customers to the condensed bill which would include the summary of monthly charges to customers, and an option for customers to elect to continue receiving the detailed information by simply "checking a box" that would be included at the top corner of each customer's monthly bill. At that time, the Company was informed that all that was necessary was to make certain that the required information as listed in the Company's tariff was reflected on the customer bill, to file the proposed bill format with the Commission that showed the proposed changes, including but not

limited to, the area where a customer could elect to receive the detailed bill, and that the Company should include the bill format as an appendix to the Company's tariff.

9. The Company made such a filing for a new bill format on or about November 20, 2000. This filing included changes to the Company's bill format to include, among other things the customer election capability to receive the detailed bill. On February 19, 2001, the Commission approved this bill format request.

10. Duke Energy Kentucky has been operating with the condensed bill product for approximately seventeen years and prior to the issue being raised at the hearing of the Company's electric rate case, was not aware of the Commission having changed its opinion regarding this previously authorized practice.

11. Customers that received the condensed bill today have the ability to request to switch to receive detailed billing information from the Company at any time. Moreover, all customers, even those who received the condensed bill, have access to their current and past monthly detailed bill information electronically through logging into the Company's customer billing portal. Therefore, even if a customer does not receive elect to receive the paper detailed bill, they can still access the detailed information by accessing their bill electronically.

12. Because the Company has been operating with the condensed billing product for approximately seventeen years, the Company's current rates are based upon that practice and do not reflect the incremental costs that the Company would incur with having to print, handle, and mail detailed bills to each gas and electric customer.

13. I have researched the cost to the Company of having to cease the condensed billing practice. The Company estimates that the additional cost for the detailed bill will be $0.023 per page, per bill, per month. The Company estimates that to be at least approximately

$45,540 per year in additional billing costs for just the paper and printing alone. This estimate assumes the Company sends, on average, 165,000 bills per month to its natural gas and electric customers and further assumes that only one additional page will be required. For accounts with multiple meters however, more than one page would be required and the expense would be greater.

FURTHER AFFIANT SAYETH NAUGHT.

Suzanne Kesling
Suzanne Kesling

Sworn to and subscribed in my presence, this 2 day of May 2018.

DONNA E HARKEY
Notary Public
Cabarrus County
NORTH CAROLINA

Donna E Harkey
Notary Public

My Commission Expires: 03-01-19

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN APPLICATION OF THE UNION LIGHT, HEAT AND POWER COMPANY FOR APPROVAL TO REVISE ITS SERVICE REGULATIONS IN ITS GAS AND ELECTRIC TARIFFS	)))))	CASE NO. 2000-520

<u>O R D E R</u>

On November 20, 2000, The Union Light, Heat and Power Company ("ULH&P") filed an application for authority to revise the service regulations contained in its gas and electric tariffs. ULH&P proposes to incorporate its customer bill format into its gas and electric tariffs by adding an appendix to its existing gas and electric service regulations, as filed with the Commission. ULH&P will also include a paragraph in the body of the service regulations that identifies the appendix.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed revisions to ULH&P's service regulations are in the public interest and should be approved.

IT IS THEREFORE ORDERED that:

1. ULH&P's request to revise its service regulations to incorporate its customer bill format into its gas and electric tariffs is approved.

2. ULH&P shall file its revised tariff sheets setting out the revisions approved herein within 20 days from the date of this Order.

EXHIBIT

3

Done at Frankfort, Kentucky, this 2nd day of February, 2001.

By the Commission

ATTEST:

Thomas M. Dorman

Executive Director

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. (T)

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, and bills are payable only at the Company's offices or authorized agencies for collection. 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:

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4/3/2006

(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.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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FEB 02 2001

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.

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7. Availability of Budget Billing.

Company has available to its customers a "Budget Billing Plan" which minimizes billing amount fluctuations over a twelve month period. The Company may exercise discretion as to the availability of such a plan to a customer based on reasonable criteria, including but not limited to:

(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.

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OF KENTUCKY
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PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Stephanie Bell
SECRETARY OF THE COMMISSION

Issued by authority of an Order of the Kentucky Public Service Commission dated February 2, 2001 in Case No. 2000-520.

Issued: February 13, 2001 J. Joseph Hale Jr Effective: February 2, 2001 (C)

Issued by J. Joseph Hale, Jr., President

SECTION VI - BILLING AND PAYMENT (Contd.)

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

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

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. (N)

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4/3/2006

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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FEB 02 2001

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Stephan O Bell
SECRETARY OF THE COMMISSION

CINERGY. ULH&P

Printed on recycled paper and is recyclable.

Please return this portion with your payment.
When paying in person, please present entire bill.
Make checks payable to: U.L.H.& P. Co.
Account Number 4100-0876-23

DRAFT

$ 104.38	$ 99.65

For more detailed billing information starting next month, check box on right

$ ______ Wintercare Contribution (for needy families)
$ ______ Amount Enclosed

Cinergy/ULH&P
PO Box 740263
Cincinnati OH 45274-0263

John Doe
10438 Deer Trail Dr
Latonia Ky 41015

100 00000149004 99400221207 062419962 00000092007 00000000002

Page 1 of 2

John Doe 10438 Deer Trail Dr Latonia Ky 41015	Cinergy/ULH&P	513-421-9500 1-800-544-6900	4100-0876-23

107 Brent Spence Square Covington, Ky 41011	Last Payment Received Aug 9, 2000 Payments after Aug 18 not included	Bill Prepared on Aug 18, 2000 Next Meter Reading Date Sep 18, 2000

Gas	11111111	Jul 20	Aug 17	28	6920	6938	18
Elec	93558321	Jul 20	Aug 17	28	69952	71042	1,090

Usage -	18 CCF	
Cinergy/ULH&P - Rate RS		19.15
Current Gas Charges		$ 19.15

Usage -	1,090 KWH	
Cinergy/ULH&P - Rate RS		75.41
Current Electric Charges		$ 75.41

Previous Bill	$ 115.09
Payment - Thank You	115.09 cr
Balance Forward	0.00
Cinergy/ULHP - Gas	19.15
Cinergy/ULHP - Electric	75.41
Rate Increase For School Tax	2.83
Franchise Fee - Taylor Mill	2.26
Total Account Balance	$ 99.65

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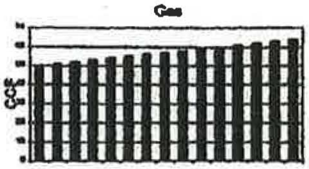
PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE

FEB 02 2001

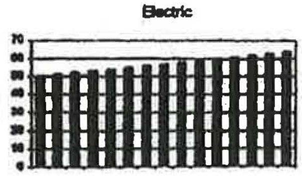
PURSUANT TO 807 KAR 5:011, SECTION 9 (1)
BY: Stephanie Bell
SECRETARY OF THE COMMISSION

KY Residential 07-10-00 .xls

Gas



Electric



$ 104.38	$ 99.65

CINERGY.
ULH&P

Printed on recycled paper and is recyclable.

John Doe	10438 Deer Trail Dr Latonia Ky 41015	4100-0878-23

Gas	Cinergy / ULH&P		
Meter # 11111111	Rate 22P - Residential		
Usage - 18 CCF	Customer Charge	6.29	
Jul 20 - Aug 17	Gas Delivery Charge		
28 Days	18 CCF @ $0.2613430 per CCF =	4.70	
	Gas Cost Adjustment:		
	18 CCF @ $0.4534000 per CCF =	8.16	
	Current Gas Charge	$ 19.15	$ 19.15
Electric	Cinergy / ULH&P		
Meter # 63558321	Rate RS - Residential		
Usage - 1,090 KWH	Customer Charge		
Jul 20 - Aug 17	Elec Usage Charge:	3.73	
28 Days	1,000 kWh @ $0.0657660 per kWh =	65.77	
	90 kWh @ $0.0688760 per kWh =	6.20	
	Total Electric Usage Charge	71.97	
	Elec Fuel Adjustment:		
	1,090 kWh @ $0.0002660CR per kWh =	0.29	
	Current Electric Charge	$ 75.41	$ 75.41
	Total Current Gas and Electric Charges		$ 94.56

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4/3/2006

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OF KENTUCKY
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PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY Stephanie Bell
SECRETARY OF THE COMMISSION

DRAFT
Back of ULH&P's Bill

EXPLANATION OF ESTIMATED CHARGES

Meters are scheduled to be read monthly.
Regular meter readings are essential for accurate billing. When we are unable to read a meter, the usage is estimated based on previous bills.
An estimated read will be considered the same as an actual read.

PAYMENT OF BILLS

Your payment must be received in the Company's office by the Due date shown on the bill. If mailing your payment, be sure to allow enough time for us to receive it on or before the Due Date. If full payment is not received by the Due Date, a late payment charge will be included on your next bill.
Bills may also be paid at many financial instruments, which serve as authorized collectors for our Company. However, these authorized collectors cannot accept partial payments or payments made after the Due Date.
Disconnection of your utility services(s) will not result from failure to pay any non-tariffed or non-regulated products or services.

LATE PAYMENT CHARGE INFORMATION

You can avoid a late payment charge if you pay your current month's charges plus at least $5.00 on any past due balance. However, your payment must be received in ULH&P's Office by the DUE DATE shown on your current bill.
Please note, any unpaid past due balance remains subject to collection efforts, including possible disconnection of services

EXPLANATION OF BILL LANGUAGE

BBP Cycle	Period of time used to calculate the current Budget Billing monthly installment amount.
EST or E	Estimated Meter Read
CCF	Gas usage, measured in hundreds of cubic feet
CR	Amount Credited
Current Gas Charges	Total of all charges based on gas usage during the current billing period
Customer Charge	Charge for administrative costs, including meter reading, billing, and collecting.

kWh	Electric usage measured in kilowatt-hours.
Late Payment	Additional charge added to the bill if the Amount To Pay is not received in full by the Due date.
Meter Multiplier	Constant number that the meter reading usage is multiplied by to obtain the energy usage.
TDD/TYY	Telecommunication device for the speech and hearing impaired.
Usage	Amount of energy used during the billing period.
Elec. Rate	Code that identifies the rate used to determine the Electric Usage Charge.
Gas Rate	Code that identifies the rate used to determine the Gas Usage Charge.

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GAS COST INFORMATION

The GAS COST ADJUSTMENT (GCA) rate is the cost (per 100 cubic feet) of gas we purchase from our suppliers. This rate varies periodically as gas prices to us increase or decrease. ULH&P makes no profit on this charge since it is based on the actual costs we pay our suppliers for the gas we purchase and resell. The GCA amount is included in your total bill as an addition to the Gas Usage Charge, which covers our normal operating expenses for delivering gas to you.

ELECTRIC COST INFORMATION

The ELECTRIC FUEL ADJUSTMENT (EFA) rate is the increase or decrease (since determination of the Base Period Fuel Cost) in the cost of fuel purchased from our supplier and used to generate electricity. The EFA rate is computed monthly according to a formula established by the Kentucky Public Service Commission. ULH&P makes no profit on the EFA since it is based on the actual cost of fuel used to generate electricity. The amount of the EFA is included in your total bill.

BILLING OR SERVICE INQUIRIES

If you have a question about your bill or service, call or visit our office listed on the reverse side.
Rate schedules and service regulations are available upon request.

BILLING HOURS
PHONE HOURS: 24 Hours
7 Days a Week
OFFICE HOURS:
Cincinnati:
8:00 A.M. – 6:00 P.M.
Monday – Friday
8:30 A.M. – 12 Noon
Saturday
All other offices:
8:00 A.M. – 5:00 P.M.
Monday – Friday

SERVICE EMERGENCY NUMBERS
GAS TROUBLE(513)651-4466 or 1-800-6344300
ELECTRIC TROUBLE (513)651-4182 OR 1-800-5599

PUBLIC SERVICE COMMISSION
OF KENTUCKY
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