

**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 : **Case No. 2017-00321**  
of New Tariffs; 4) Approval of Accounting Practices to Establish :  
Regulatory Assets and Liabilities; and 5) All Other Required Approvals :  
and Relief :  
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**BRIEF OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

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Kentucky Industrial Utility Customers, Inc. (“KIUC”) submits this Brief in support of its recommendations to the Kentucky Public Service Commission (“Commission” or “KPSC”). KIUC’s principal concern in this proceeding surrounds the rate treatment of the electric cost savings resulting from the Tax Cuts and Jobs Act (“TCJA”). The record in this case indicates that Duke Energy Kentucky, Inc. (“Duke” or “Company”) intends to flow through 100% of the TCJA tax savings accruing as of January 1, 2018 to electric customers. The Commission should ensure that this happens.

**ARGUMENT**

KIUC’s primary interest in this proceeding is whether and how the cost savings resulting from the TCJA will be flowed through to electric customers in Duke’s service territory. KIUC and the Company already reached an agreement with respect to how to flow TCJA-related cost savings through to natural gas customers in Case No. 2018-00036.<sup>1</sup>

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<sup>1</sup> That Non-Unanimous Stipulation and Settlement Agreement was filed on March 2, 2018 and is currently pending Commission review.

Several of Duke's representations in this proceeding indicate that the Company agrees to flow 100% of the TCJA-related cost savings accruing as of January 1, 2018 through to its electric customers. In the Amended Rebuttal Testimony of Sarah E. Lawler, Duke makes four TCJA-related adjustments to the Company's requested electric revenue requirement: 1) a \$10.62 million reduction related to changing its federal income tax rate from 35 percent to 21 percent; 2) a \$3.78 million reduction to reflect the amortization of excess accumulated deferred incomes taxes ("ADIT"); 3) a \$209,019 increase to reflect the elimination of bonus depreciation and the projection of deferred income taxes at the lower tax rate; and 4) \$110,762 reduction to represent a federal income tax credit for January through March 2018.<sup>2</sup>

Additionally, at the evidentiary hearing, Duke's witnesses confirmed the Company's intent to pass through all of the TCJA cost savings to electric customers. Company President Jim Henning was asked about this issue on cross-examination:

*Q: ...Going back to January 1, 2018, Duke agreed to pass through all the tax savings to consumers?*

*A: That was a component of Sarah Lawler's Rebuttal Testimony...identification of all refunded savings back to January 1, 2018.<sup>3</sup>*

Lisa M. Belluci, the Company's Director of Regulated Utilities Risk Management, echoed this commitment:

*Q: In this case, Duke is agreeing to flow through all the benefits of the Tax Cuts and Jobs Act as of January 1, 2018, is that correct?*

*A: Correct.<sup>4</sup>*

Duke's Director of Rates and Regulatory Planning, Sarah E. Lawler, also reiterated the Company's intentions:

*Q: ...with these adjustments, consumers will get 100%...the full benefit of the Tax Cuts and Jobs Act going all the way back to January 1*

*A: Yes.<sup>5</sup>*

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<sup>2</sup> Amended Testimony of Sarah E. Lawler (March 2, 2018) at 3.

<sup>3</sup> Tr. (March 6, 2018) at 10:05:06.

<sup>4</sup> Tr. (March 6, 2018) at 3:42:57.

<sup>5</sup> Tr. (March 7, 2018) at 11:15:13.

Accordingly, the Commission should hold Duke to its commitments in this proceeding.

KIUC recommends that the Commission require Duke to flow through the “*unprotected*” excess ADIT to customers over 15 years, rather than 20 years. While customers would receive the net present value of the savings regardless,<sup>6</sup> a 15-year timeframe would result in a greater revenue requirement reduction than the one contemplated in the Company’s rebuttal testimony.<sup>7</sup> And the Company already agreed to that more expedited timeline at the hearing.<sup>8</sup>

**WHEREFORE**, the Commission should require Duke to flow 100% of the TCJA cost savings through to its electric customers.

Respectfully submitted,



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CUSTOMERS, INC.**

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<sup>6</sup> Tr. (March 6, 2018) at 3:46:25.

<sup>7</sup> Duke Response to Staff Post-Hearing DR-01-006, Attachment 1.

<sup>8</sup> Tr. (March 6, 2018) at 3:49:59.