VERIFICATION

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

The undersigned, Sarah E. Lawler, Director Rates & Regulatory Planning, 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.

SLE. L
Sarah E. Lawler Affiant

Subscribed and sworn to before me by Sarah E. Lawler on this 25th day of January, 2019.

E. Minna Rolfes
NOTARY PUBLIC

My Commission Expires: July 8, 2022

NOTARY PUBLIC ★ STATE OF OHIO ★

E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

VERIFICATION

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

The undersigned, Nicholas Giaimo, Director, RU Gas Operations Fiance, 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.

Nicholas Giaimo Affiant

Subscribed and sworn to before me by Nicholas Giaimo on this 25th day of January, 2019.

JACQUELINE M. BERRY
NOTARY PUBLIC
UNION COUNTY, NC

Jacqueline M. Berry
NOTARY PUBLIC

My Commission Expires: 11/29/2021

VERIFICATION

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

The undersigned, Gary J. Hebbeler, Vice President Gas Operations, 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.

Gary J. Hebbeler, Affiant

Subscribed and sworn to before me by Gary J. Hebbeler on this 25th day of January, 2019.

NOTARY PUBLIC

My Commission Expires: July 8, 2022

NOTARY PUBLIC ★ STATE OF OHIO ★

E. MINNA ROLFES-ADKINS
Notary Public, State of Ohio
My Commission Expires
July 8, 2022

VERIFICATION

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

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 29TH day of JANUARY, 2019.

NOTARIAL SEAL STATE OF OHIO

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2024

Adele M. Frisch
NOTARY PUBLIC

My Commission Expires: 1/5/2024

VERIFICATION

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

The undersigned, Renee Metzler, Managing Director – Retirement and Health and Welfare, 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 therin are true and correct to the best of her knowledge, information and belief.

Renee Metzler

Renee Metzler Affiant

Subscribed and sworn to before me by Renee Metzler on this 28th day of January, 2019.

Felicia Sueann Rutty

NOTARY PUBLIC

My Commission Expires:

FELICIA SUEANN RUTTY
NOTARY PUBLIC
MECKLENBURG COUNTY, NC
My Commission Expires 9-17-2023

VERIFICATION

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

The undersigned, John R. Panizza, Director, Tax Operations, 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 therin are true and correct to the best of his knowledge, information and belief.

John R Panizza

John R. Panizza Affiant

Subscribed and sworn to before me by John R. Panizza on this 28 day of January, 2019.

VIRGINIA M. ADAMS NOTARY PUBLIC MECKLENBURG COUNTY, NC EXP. 10/02/2021

Virginia M. Adams

NOTARY PUBLIC

My Commission Expires: 10/2/21

VERIFICATION

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

The undersigned, Bruce L. Sailers, 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. Sailers

Bruce L. Sailers, Affiant

Subscribed and sworn to before me by Bruce L. Sailers, on this 28TH day of JANUARY, 2019.

NOTARIAL SEAL STATE OF OHIO

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2024

Adele M. Frisch

NOTARY PUBLIC

My Commission Expires: 1/5/2024

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 25TH day of JANUARY, 2019.

Adele M. Frisch
NOTARY PUBLIC

NOTARIAL SEAL
STATE OF OHIO

ADELE M. FRISCH
Notary Public, State of Ohio
My Commission Expires 01-05-2024

My Commission Expires: 1/5/2024

VERIFICATION

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

The undersigned, Benjamin Walter Bohdan Passty, Lead Load Forecasting Analyst, 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.

Benjamin W B Passty

Benjamin Walter Bohdan Passty Affiant

Subscribed and sworn to before me by Benjamin Walter Bohdan Passty on this 25 day of January, 2019.

PATRICIA C. ROSS
NOTARY PUBLIC
Mecklenburg County
North Carolina

Patricia C Ross

NOTARY PUBLIC

My Commission Expires: 10-17-2019

KyPSC Case No. 2018-00261
TABLE OF CONTENTS

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-001

REQUEST:

Refer to the Direct Testimony of Lane Kollen (Kollen Testimony), beginning at page 15, and Duke Kentucky's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 43.

a. Explain why Duke Kentucky did not include any no-notice intercompany transportation revenues in the forecast portion of the base year or in the test year.

b. Provide the actual no-notice transportation revenues for the fiscal year 2018, the base period, and calendar year 2018.

RESPONSE:

a. As indicated in response to AG-DR-01-043(b), the Company did not include no-notice transportation revenue in the forecasted months of the base period or the forecasted test period because the Company does not forecast revenues to that level of detail. As indicated in the rebuttal testimony of Sarah E. Lawler, the Company acknowledges that this miscellaneous revenue should have been included in the test period and has modified its requested base revenue requirement accordingly.

b. The actual no-notice transportation revenues for the base period are $549,216 and for both the fiscal year 2018 and the calendar year 2018 are $556,002. Note that the Company's fiscal year is a calendar year.

PERSON RESPONSIBLE: Sarah E. Lawler

REQUEST:

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

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

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

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

RESPONSE:

a. As stated in response to STAFF-DR-02-003(c)(3), "in accordance with the Company's budgeting process, headcount data is not budgeted." The Company budgets labor dollars, not headcount.

b. The current expectation is that the 14 positions will be eliminated by the first quarter of 2020. As of December 31, 2018, 11 positions have already been eliminated.

c. As stated in response to STAFF-DR-02-003, "The Company did however include meter reading cost savings in the test period." Any meter reading cost savings related to salary and wage expense would have been reflected in the "test year" salary and wage expense."

PERSON RESPONSIBLE: Nick Giaimo – (a)
Gary J. Hebbeler – (b)
William Don Wathen Jr. – (c)

STAFF-DR-05-003

REQUEST:

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

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

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

c. Refer to the Attorney General's response to Staff's First Request, Item 4. Confirm that the changes made to Duke Kentucky's Defined Benefit and Defined Contribution Plans, as discussed in Case No. 2017-00321, did not affect Duke Kentucky's gas operations union employees.[1]

RESPONSE:

a. It is unclear to what "guidelines" the question specifically refers. The Company is familiar with recent Commission precedent on cost recovery for employee

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[1] Case No. 2017-00321, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief* (Ky. PSC Oct 2, 2018).

retirement benefits and answered prior information requests with that precedent in mind. With that understanding, the Company confirms that amounts in STAFF-DR-02-05(a) represent the change in revenue requirement using the parameters provided for in the question.

b. The company does not forecast benefits at this level. Duke Energy Kentucky union employees have some grandfathered retirement plans that would result in a difference in cost from non-union employees. Pension plan costs are actuarially determined and are not part of this data request. For 401(k) matching, the forecast assumes that employees (union or non-union) contribute at the estimated enterprise rate of approximately 5.4%. To estimate the breakdown between union and non-union employees, we reviewed the Duke Energy Kentucky employee population at 12/31/2018 and determined that approximately 93% were union employees and approximately 7% were non-union employees. See STAFF-DR-05-003(b) Attachment, which applies these percentages to the various subcategories in the original data request.

c. As discussed in Case No. 2017-00321, the company has made changes to Duke Energy Kentucky's Defined Benefit and Defined Contribution Plans, some of which have impacted Duke Energy Kentucky's Gas Operations union employees. Union employees hired after 12/31/16 are only eligible for the enterprise new hire program (6% matching and 4% non-matching contributions). Union employees hired between 1/1/06 and 12/31/16 are not eligible for the final average pay pension plan, only for the cash balance program (cash balance pension plus 401(k) match). As of 1/1/2012, existing union employees, with the exception of a grandfathered group close to retirement with long service, were transitioned to the cash balance program. Under the defined benefit final average pay formula, retirement costs (traditional pension plus 401(k) match) were approximately 15 percent of pay. Under the cash balance program (cash balance pension plus 401(k) match) and the new hire program (401(k) match and non-matching contributions) costs are 10-12 percent of pay. Additionally, union employees in the grandfathered final average pay pension plan have a lower short-term incentive target than employees in the enterprise program.

PERSON RESPONSIBLE: Renee H. Metzler

Question No. 3 - Fifth Request
Responding Witness: Renee H. Metzler
DEK Union Employees

The below is an analysis of the Test Period numbers:

		Kentucky		Allocated from Affiliates	
A.	Total Costs:				
	Single Coverage	138,781		59,918	
	Other Coverage	626,197		270,356	
	Total	764,979		330,273	
	Employee Cost:				
	Single Coverage	29,144	21%	12,583	21%
	Other Coverage	206,645	33%	89,217	33%
	Total	235,789		101,800	
	Employer Cost:				
	Single Coverage	109,637		47,335	
	Other Coverage	419,552		181,138	
	Total	529,190		228,473	
	Total KY Cost (Previously submitted)	637,579		275,270	
	Change	108,390		46,796	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For medical coverage, the employee pays on average 17% of the premium and 34% of the total cost of coverage.

		Kentucky		Allocated from Affiliates	
B.	Total Costs:				
	Single Coverage	6,917		3,189	
	Other Coverage	46,156		21,278	
	Total	53,072		24,466	
	Employee Cost:				
	Single Coverage	4,150	60%	1,913	60%
	Other Coverage	27,693	60%	12,767	60%
	Total	31,843		14,680	
	Employer Cost:				
	Single Coverage	2,767		1,275	
	Other Coverage	18,462		8,511	
	Total	21,229		9,787	
	Total KY Cost (Previously submitted)	34,474		15,893	
	Change	13,245		6,106	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For dental coverage, the employee pays on average 35% of the premium and 56% of the total cost of coverage.

C. For the Test period, the jurisdictional cost for providing long-term disability insurance insurance is expected to be the following:

Kentucky	13,679
Allocated from Affiliates	7,469
Total	21,148

D. For the Test period, the jurisdictional cost for providing life insurance coverage over $50k is expected to be the following:

Kentucky	4,089
Allocated from Affiliates	2,812
Total	6,901

E. For the Test period, the jurisdictional cost of company match for individuals with a DC and DB plan is expected to be the following:

Kentucky	316,558
Allocated from Affiliates	142,687
Total	459,246

F. See 'allocated from affiliates' portion of A-E above

Question No. 3 - Fifth Request
Responding Witness: Renee H. Metzler
DEK Non-Union Employees

The below is an analysis of the Test Period numbers:

		Kentucky		Allocated from Affiliates	
A.	**Total Costs:**				
	Single Coverage	10,446		4,510	
	Other Coverage	47,133		20,349	
	Total	57,579		24,859	
	Employee Cost:				
	Single Coverage	2,194	21%	947	21%
	Other Coverage	15,554	33%	6,715	33%
	Total	17,748		7,662	
	Employer Cost:				
	Single Coverage	8,252		3,563	
	Other Coverage	31,579		13,634	
	Total	39,831		17,197	
	Total KY Cost (Previously submitted)	47,990		20,719	
	Change	8,158		3,522	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For medical coverage, the employee pays on average 17% of the premium and 34% of the total cost of coverage.

		Kentucky		Allocated from Affiliates	
B.	**Total Costs:**				
	Single Coverage	521		240	
	Other Coverage	3,474		1,602	
	Total	3,995		1,842	
	Employee Cost:				
	Single Coverage	312	60%	144	60%
	Other Coverage	2,084	60%	961	60%
	Total	2,397		1,105	
	Employer Cost:				
	Single Coverage	208		96	
	Other Coverage	1,390		641	
	Total	1,598		737	
	Total KY Cost (Previously submitted)	2,595		1,196	
	Change	997		460	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For dental coverage, the employee pays on average 35% of the premium and 56% of the total cost of coverage.

C. For the Test period, the jurisdictional cost for providing long-term disability insurance insurance is expected to be the following:

Kentucky	1,030
Allocated from Affiliates	562
Total	1,592

D. For the Test period, the jurisdictional cost for providing life insurance coverage over $50k is expected to be the following:

Kentucky	308
Allocated from Affiliates	212
Total	519

E. For the Test period, the jurisdictional cost of company match for individuals with a DC and DB plan is expected to be the following:

Kentucky	23,827
Allocated from Affiliates	10,740
Total	34,567

F. See 'allocated from affiliates' portion of A-E above

FOR REFERENCE - STAFF-DR-02-005

Question No. 5 - Second Request
Responding Witness: Renee H. Metzler

The below is an analysis of the Test Period numbers:

		Kentucky		Allocated from Affiliates	
A.	**Total Costs:**				
	Single Coverage	149,227		64,428	
	Other Coverage	673,331		290,705	
	Total	822,558		355,133	
	Employee Cost:				
	Single Coverage	31,338	21%	13,530	21%
	Other Coverage	222,199	33%	95,933	33%
	Total	253,537		109,462	
	Employer Cost:				
	Single Coverage	117,890		50,898	
	Other Coverage	451,131		194,772	
	Total	569,021		245,670	
	Total KY Cost (Previously submitted)	685,569		295,989	
	Change	116,548		50,319	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For medical coverage, the employee pays on average 17% of the premium and 34% of the total cost of coverage.

		Kentucky		Allocated from Affiliates	
B.	**Total Costs:**				
	Single Coverage	7,437		3,429	
	Other Coverage	49,630		22,879	
	Total	57,067		26,308	
	Employee Cost:				
	Single Coverage	4,462	60%	2,057	60%
	Other Coverage	29,778	60%	13,728	60%
	Total	34,240		15,785	
	Employer Cost:				
	Single Coverage	2,975		1,371	
	Other Coverage	19,852		9,152	
	Total	22,827		10,523	
	Total KY Cost (Previously submitted)	37,069		17,089	
	Change	14,242		6,566	

Note: The calculations above only look at the premium cost share. It does not reflect the out of pocket costs incurred by the employee (coinsurance, copays, deductibles). For dental coverage, the employee pays on average 35% of the premium and 56% of the total cost of coverage.

C. For the Test period, the jurisdictional cost for providing long-term disability insurance insurance is expected to be the following:

Kentucky	14,709
Allocated from Affiliates	8,031
Total	22,739

D. For the Test period, the jurisdictional cost for providing life insurance coverage over $50k is expected to be the following:

Kentucky	4,397
Allocated from Affiliates	3,023
Total	7,420

E. For the Test period, the jurisdictional cost of company match for individuals with a DC and DB plan is expected to be the following:

Kentucky	340,385
Allocated from Affiliates	153,427
Total	493,813

F. See 'allocated from affiliates' portion of A-E above

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-004

REQUEST:

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

RESPONSE:

The projected $340,000 in savings is not included in the forecasted test period in the Company's originally filed application. As indicated in the rebuttal testimony of Sarah E. Lawler, the Company agrees with the recommendation to reflect the savings in the test period revenue requirement if the Commission approves the change in the meter testing cycle from ten years to fifteen years. The annualized cost savings is only achieved by moving to a longer meter testing cycle. This would result in a reduction in the test year revenue requirement request including gross-ups of $340,681.

PERSON RESPONSIBLE: Sarah E. Lawler

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-005

REQUEST:

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

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

b. Provide the expected service life of IMP improvements.

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

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

RESPONSE:

a. The IMP expenses included in the test year revenue requirement are recurring in nature and are for ongoing annual programs to improve the safety of our natural gas system.

b. All of the costs for projects listed in STAFF-DR-02-030 are for operation and maintenance expenses and are not capitalized. Because these are expenses rather than capital costs, the concept of "service life" does not apply.

c. The IMP expenses are projected to recur. The amount included in the test year revenue requirement is the estimate of costs to be incurred on an annual basis going forward to reduce the risk as identified in the IMP.

d. The costs included in the regulatory asset were one-time costs incurred to conduct pressure testing of a specific gas line. The annual costs of $1,065,488 are costs the Company is proposing to recover on an annual basis to perform ongoing recurring integrity management work.

PERSON RESPONSIBLE: Gary J. Hebbeler

STAFF-DR-05-006

REQUEST:

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

RESPONSE:

In response to STAFF-DR-02-031, the Company confirmed that "all of the over-collection of federal income tax due to the TCJA occurred or will occur in 2018." The $171,902 is a one-time savings that was not included in the Company's 2018 ASRP filing. It reflects the over-collection in the ASRP filings for 2018 only. The full annualized benefit of the TCJA is already included in the forecasted test year revenue requirement of this rate proceeding. The Company's proposal to refund a one-time savings over five years is analogous to recovery of one-time costs, such as rate case expense. The forecasted test year revenue requirement does not include the full amount of the expense associated with this pending rate case because it is not an expense that will occur every year. Traditionally, the way such one-time costs or one-time savings are addressed in rate proceedings is to spread out the dollar amount over a reasonable period of time (5 years is proposed in this case).

Assuming the Company did not file another rate case for five years, including the full $171,902 amount in the forecasted test period revenue requirement would refund to customers $859,510, when the Company only over-collected income taxes in the 2018 ASRP by $171,902. Similarly, if the Company included in its forecasted test year revenue requirement the full amount of its projected rate case expense of $575,500 (Schedule D-2.16 in the Company's application), it would recover $2,877,500 over five years in rates to cover an expense that was only $575,500.

PERSON RESPONSIBLE: Sarah E. Lawler

STAFF-DR-05-007

REQUEST:

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

RESPONSE:

The 2018 PSC Assessment has yet to be negotiated with the Kentucky Department of Revenue. From the schedule of last years events the value was finalized close to the end of the first quarter of the following year. I would expect once the negotiation starts, 2018 will be finalized by the end of this 1st quarter of 2019.

PERSON RESPONSIBLE: John Panizza

STAFF-DR-05-008

REQUEST:

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

RESPONSE:

The total reduction in non-union labor cost for the forecasted test year would be a decrease of $36,000 ($10,000 + $26,000) if the wage and salary increase is limited to 3.0%. The $180,000 referenced is the full 3.5% increase from affiliates with $26,000 representing the 0.5% reduction.

It should be noted that the actual budget represents the Company achieving efficiencies to offset the 3.5% labor increase so that total expenses only increase 1%.

PERSON RESPONSIBLE: Nick Giaimo

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-009

REQUEST:

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

RESPONSE:

Confirmed. See Schedule E-1, page 3 of 3, line 5 for the amortization of state excess ADIT balances due to the change in Kentucky's state income tax to five percent. This is also summarized in Attachment JRP-1 to the direct testimony of John R. Panizza.

PERSON RESPONSIBLE: John Panizza

STAFF-DR-05-010

REQUEST:

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

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

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

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

RESPONSE:

a. Through an assessment process to evaluate the performance of the Claims program, Duke Energy identified key challenges effecting the ability of its process to investigate damages in a timely manner, reduce third party damages, and recover more public damage dollars from 3rd party offenders. Experience showed that Duke Energy Kentucky did not have sufficient resources to investigate each and every occurrence and determine fault. When the Company responds to incidents, its primary focus is making the repairs as safely and quickly as possible. Additionally, when the Company was able to perform the investigation and fault was established, the Company often times did not have resources to timely follow up on collections. In order to place the proper emphasis on both the timeliness of repairs, recovery of costs from responsible parties and ultimately prevention through timely and well documented investigation of incidents and proactive pursuit of collections of damages by third parties, the Company determined that it was prudent to have an experienced third-party whose expertise lies in investigation and collections.

Utilizing PRG allowed Duke Energy Kentucky to accomplish the following:

- Allows the Company to focus on responding to and repairing damages and not on investigation and collection activities;
- Ensures that the Company is staffed to respond to every damage within a predetermined length of time based on location of damage. PRG maintains geographical assignments for each PRG investigator who can promptly respond to incidents and focus on investigating the root cause;
- Rely upon the training and experience of the PRG investigators rather than training and increasing internal staffing levels to manage this work;
- PRG continuously monitors the volume of damages to assure staffing needs across the territory;
- PRG investigators are neutral and fact driven in their application and assignment of liability, which provides a benefit to third-parties who inadvertently damage infrastructure;

- PRG provides considerable data and reporting capabilities that Duke Energy did not possess to foster damage root cause analysis which promotes proactive safety and construction practices, coaching and messaging to contractors, excavators, and construction entities.

b. To assess the effectiveness of PRG, Duke Energy performed a year over year business case to determine the benefit of using PRG. To perform its analysis, Duke Energy compared a similar 12-month period to measure the results of PRG. Prior to the use of PRG, Duke Energy Kentucky was only able to conduct investigations on approximately ½ of the damage incidents due to resource availability. With PRG, 100 percent of incidents are investigated, even those where no 3rd party liability is determined (e.g. Untoneable lines, leaks reported as damages). This has resulted in a larger number of incidents being reported, investigated, and collections. In the table below (Duke Energy Kentucky Gas Ops), Duke Energy compared September 2016 – August 2017 to the 12-month period that of September 2017 – August 2018 for which PRG was active.

Period	Total Damage Amount	Total Recovered	No. of Claims
Sept 2016 – Aug 2017	**$304, 926**	**$242, 972**	**332**
Sept 2017 – Aug 2018	**$662, 012**	**$409, 470**	**595**

In 2017-2018, the number of reported and investigated claims increased by more than fifty percent. Consequently, the total amount recovered also increased. It should be noted that the total damage amount and claims include instances where fault was determined and billed and where there was no fault to be assigned. It is important to note that with the implementation of the new claims program, our damage reporting through collection of dollars has streamlined the process to see actual recovered dollars within the years the damages occur. As an example, the information stated in the chart above shows dollars recovered for 2016-2017 at $242,972. These dollars were collected from billing dating back to 2015 as the invoicing and collecting was backlogged. The dollars shown recovered in 2017-2018 are actual collected by PRG for the year it was invoiced.

c. The agreement that Duke Energy has with PRG is results driven. In the event that no recoveries are obtained, Duke Energy has no cost for the investigation, billing, and collection activity of PRG. PRG is only compensated when recoveries are obtained, and are compensated by them retaining 25% of collections. This agreement results in no additional cost to the rate payer as Duke Energy is only subject to the retainer when recoveries are achieved and it reflects the costs of performing the investigation, billing and collection activities.

The original cost to the Company of making the damage repairs is reflected in O&M in the budget and thus the test period. Additionally, the Company makes assumptions of how much will be returned to the Company from collection efforts and budgets for those collections as a credit to O&M. But there are no cost obligations to PRG.

PERSON RESPONSIBLE: Gary J. Hebbeler

STAFF-DR-05-011

REQUEST:

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

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

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

RESPONSE:

a. The two responses are not necessarily in conflict. As stated in AG-DR-01-102, "typically," large commercial and industrial customer volumes are not driven by weather. They can be impacted to some extent and may show weather related volumes. However, economic activity and individual customer conditions can have strong impacts on volumes as well for these customers. Possibly, a clearer statement would be that these volumes can be significantly driven by other factors beyond weather. To further reconcile the two responses, note that AG-DR-01-041 discusses the realization factors as a source of lower revenues. Witness Sailers' rebuttal testimony indirectly discusses the reconciliation factors and provides information on how Schedule M values are used to reconcile the budget numbers for forecasted revenues. The Company's budget values are forced to match Schedule M through an adjustment on Schedule D-2.25. Schedule M revenues for Rate IT are higher than the forecast realization factors shown in AG-DR-01-041 produce.

b. Duke Energy Kentucky's actual transportation revenues for both the fiscal year ending 2018 and calendar year 2018 are $1,467,832. Note that the Company's fiscal year is a calendar year.

PERSON RESPONSIBLE: Bruce L. Sailers – (a)
Sarah E. Lawler – (b)

STAFF-DR-05-012

REQUEST:

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

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

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

RESPONSE:

a. The apparent subsidy of the large firm transportation class that appears on "WP FR-16(7)(v)-8, page 1, was caused by an error in the as-filed cost of service study. In the original as-filed COSS, the Company inadvertently included an MCF number for Rate FT-L in the allocator designated as K301. K301 is used to allocate gas commodity costs to the rate classes. In the corrected cost of service study, cell D41 on the "Alloc Factors Summary" tab has been set to zero. This change results in no gas commodity costs being allocated to FT-L. The revised proposed rate increases by class are: Rate RS 10.956%, Rate GS 12.244%, Rate FT-L 7.914%, Rate IT 8.131%.

b. The revised cost of service study shows that Rate FT-L is not subsidized by the other three rate classes.

PERSON RESPONSIBLE: James E. Ziolkowski

STAFF-DR-05-013

REQUEST:

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

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

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

RESPONSE:

a. Duke Energy Kentucky estimates trifold reconnection charge revenues (i.e., $75 / $25 = 3). Schedule M currently has test year reconnection revenues of $22,068. This revenue amount does not reflect the proposed increase in the reconnection charge. If the Commission approves the reconnection fee of $75, reconnection revenues can be estimated as $22,068 * 3 = $66,204. This is an increase in reconnection revenues of $44,136. If approved by the Commission, there would be a commensurate decrease in base rates.

b. It is not. See (a) above.

PERSON RESPONSIBLE: Bruce L. Sailers

STAFF-DR-05-014

REQUEST:

Refer to administrative Case No. 2010-00146,[1] in which the Commission stated that existing gas transportation thresholds bear further examination and that the Commission would evaluate each local distribution company's (LDC) tariffs and rate design in each LDC's next general rate proceeding for the appropriateness of its transportation service offerings. Further, refer to Duke Kentucky's gas transportation service tariffs.

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

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

c. Explain whether Duke Kentucky has received requests for transportation service at any time in the last five years from non-residential customers whose usage would

[1] Case No. 2010-00146, *An Investigation of Natural Gas Retail Competition Program* (Ky. PSC Dec 28, 2010).

make them ineligible for existing transportation service. If yes, provide details concerning when, how many, and the usage level of each inquiring customer.

RESPONSE:

a. Duke Energy Kentucky believes the current volumetric requirements of its transportation tariffs are sufficient to make transportation service reasonably available to customers who would be interested in transportation service. See responses to (b) and (c) below for additional information.

b. Duke Energy Kentucky considered lowering the 2,000 Mcf per year requirement, but determined that an even lower threshold was not advantageous to customers due to the economics related to moving from Rate GS to Rate FT-L. There have been no communications with existing or potential transportation customers concerning customer desire to lower the Mcf eligibility requirement for transportation service. The Company believes the current threshold requirement is already sufficient in making transportation service available to non-residential customers.

c. Duke Energy Kentucky has not received any requests for transportation service in the last five years from non-residential customers whose usage is below the current 2,000 Mcf per year requirement.

PERSON RESPONSIBLE: Bruce L. Sailers

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-015

REQUEST:

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

RESPONSE:

The energy reported in this column is a mixture of smaller categories of gas customers: streetlight customers, any interdepartmental energy, and a group of interruptible customers referred to as "Other End Use" customers.

PERSON RESPONSIBLE: Benjamin Walter Bohdan Passty

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-016

REQUEST:

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

RESPONSE:

The referenced attachment does indeed display heating degree days from a base of 59. Many load forecasting functions use this base of 59 because it produces tighter fits in the models. There are also times when the 65 degree day base—this is reported in publicly available data from NOAA—is used in communications with the financial forecasting team. The focus of these communications is a review of the weather conditions in the immediately preceding month or the current month and a discussion about what they imply for energy sales.

PERSON RESPONSIBLE: Benjamin Walter Bohdan Passty

Duke Energy Kentucky
Case No. 2018-00261
Staff Fifth Set Data Requests
Date Received: January 24, 2019

STAFF-DR-05-017

REQUEST:

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

RESPONSE:

Yes, the second provision under over-deliveries should be the same on both pages. The current language on both pages has the same intended meaning. At the Commission's preference, the Company is willing to change the second provision under over-deliveries on page 46 of 69 in Schedule L-1 to the same language as the second provision under over-deliveries on page 30 of 69 in Schedule L-1.

PERSON RESPONSIBLE: Bruce L. Sailers