

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF)
THE ELECTRIC RATES; 2) APPROVAL OF NEW)
TARIFFS; 3) APPROVAL OF ACCOUNTING)
PRACTICES TO ESTABLISH REGULATORY)
ASSETS AND LIABILITIES; AND 4) ALL OTHER)
REQUIRED APPROVALS AND RELIEF)

CASE NO. 2019-00271

NORTHERN KENTUCKY UNIVERSITY'S RESPONSES TO COMMISSION
STAFF'S FIRST REQUEST FOR INFORMATION
DATED JANUARY 3, 2020

FILED: JANUARY 17, 2020

Duke Energy Kentucky, Inc.
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Northern Kentucky University's Responses to
Commission Staff's First Request for Information
Dated January 3, 2020

Q-1. Refer to the Direct Testimony of Brian C. Collins (Collins Testimony), page 9, lines 3-7. If the Commission approved a revenue requirement that is less than the revenue requirement proposed by Duke Energy Kentucky, Inc., (Duke Kentucky), explain whether NKU would allocate this reduced revenue amount in the same manner as proposed by Duke Kentucky.

A-1. NKU would not oppose the methodology proposed by DEK to allocate a reduced revenue requirement as a result of a Commission Order. However, NKU would point out that the methodology proposed by Kroger witness Justin D. Bieber in his direct testimony would remedy the interclass subsidies in a more timely manner than the DEK proposal.

Respondent: Brian C. Collins

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Q-2. Refer to the Collins Testimony, page 13, lines 6-18. Confirm that the proposed alternative major storm reserve account is for analytical purposes only and not for recovery purposes. Explain how this is different from how Duke Kentucky currently accounts for major storm expenses and the calculation for the amount included in base rates. Confirm that major storm expenses can vary significantly from year to year and a short-term review may not be reflective of long-term trends.

A-2. No, the proposed alternative major storm reserve is not for analytical purposes, but incorporates the recovery of major storm costs through the establishment of a major storm reserve.

Mr. Collins' proposed storm reserve is for rate recovery purposes. It is Mr. Collins' understanding that Duke Kentucky collects in current rates a certain dollar amount for the recovery of storm expenses. If the amount collected in rates is greater or less than the actual amount of storm expenses incurred by Duke Kentucky, then either shareholders or customers benefit. Mr. Collins is not aware that there is any current procedure that determines if customers or shareholders benefit by year under the current process.

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By establishing a major storm reserve, the amount included in rates for storm expense is unchanged. The amount collected in rates each month is simply recorded to the Storm Reserve and when a major storm strikes Duke Kentucky's service area, the repair expenses from such a storm would be credited against the Storm Reserve. In this way, the Storm Reserve will act as current indicator as to whether the level of storm expenses in rates is adequate for Duke Kentucky. It must be recognized that the proper level of storm expenses can, but does not need to, address those major storms which are catastrophic in nature. If a catastrophic storm were to hit the service territory of Duke Kentucky, Duke Kentucky would have the opportunity to file an Accounting Authority Order to capture the expenses associated with the catastrophic storm repairs. The establishment of a major storm reserve should not affect the level of expenses built into base rates.

Mr. Collins can confirm that major storm expenses can vary significantly from year to year. Mr. Collins cannot confirm that a short-term review may not be reflective of long term trends. There are simply too many variables that can affect the costs to reestablish service after a major storm. However, Mr. Collins can state that a short-term review may be more appropriate given the

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industry-wide concentration on grid modernization and hardening that is occurring with many electric utilities across the U.S. To the extent that utilities are hardening their respective distribution and transmission systems against storms, this could affect the repair costs from major storms.

Respondent: Brian C. Collins

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF SAINT LOUIS)

The undersigned, Brian C. Collins, being duly sworn, deposes and states that he is a Principal with Brubaker & Associates, Inc., and that he has personal knowledge of the matters set forth in the responses for which he has been identified as the witness, and the responses contained therein are true and correct to the best of his knowledge, information and belief.

Brian C. Collins

Brian C. Collins

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 16th day of January, 2020.

Maria E. Decker (SEAL)

Notary Public

My Commission Expires: May 5, 2021

