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 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**

RESPONSE OF THE KROGER CO. TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION

1. Refer to the Direct Testimony of Justin D. Beiber (Beiber Testimony), page 6, line 1.

a. Explain what constitutes a narrow range for peaks to fall within.

RESPONSE:

The appropriate measure for what constitutes a narrow range for system peaks depends on the specific circumstances of the case. However, one generally accepted measure is the FERC CP test. Historically the Federal Energy Regulatory Commission has relied on three tests to determine whether or not a 12-coincident peak (12 CP) method is appropriate for a given system. The three tests, commonly referred to collectively as the FERC CP Test, include the On and Off-Peak test, Low-to-Annual Peak test and Average to Annual Peak test. These tests have been summarized by the FERC as follows:

"Historically, the Commission has considered three tests in determining whether a system is better characterized as 3 CP or 12 CP. First, the Commission compares the average of the system peaks during the purported peak period, as a percentage of the annual peak, to the average of the system peaks during the off-peak months, as a percentage of the annual peak – the On and Off-Peak test. Generally, the Commission has held that a nineteen-percentage point or less difference between these two figures supports using the 12 CP method. The second test, the Low-to-Annual Peak test, involves the lowest monthly peak as a percentage of the annual peak. The Commission considers a range of sixty-six percent or higher as indicative of a 12 CP system. The third test is the Average to Annual Peak test, and it computes the average of the twelve monthly peaks as a percentage of annual peak. Generally, the range for a utility to be considered 12 CP is eighty-one percent or higher."[1]

Based on these tests, the Company's monthly system peaks fall within the range that is indicative of a 12 CP system, which can be considered a narrow range for system monthly peaks.

b. Explain whether this range only applies to Duke Energy Kentucky, Inc., (Duke Kentucky) , and whether it is generally used for all utilities.

RESPONSE:

The FERC CP Test is one generally accepted measure that can be considered to assess the load characteristics for all utilities. However, while the FERC CP Test provides a useful measure regarding the system load characteristics of a utility, there are numerous other case specific circumstances that can influence which cost allocation methodologies are the most appropriate.

[1] Dockets Nos. EL05-19-002 and ER05-168-001, Opinion and Order on Initial Decision, April 21, 2008, p. 34.

2. **Refer to the Beiber Testimony, page 10, lines 12- 23, and continuing onto page 11, lines 1- 9. Confirm that the proposed revenue allocation removes Duke Kentucky's proposed 5 percent subsidy reduction in favor of a subsidy reduction based upon a pro rata basis proportional to the current subsidy.**

RESPONSE:

Mr. Bieber does not propose any changes to the revenue allocation at the Company's proposed revenue requirement. The proposed revenue allocation method is a two-step process that is intended to adjust the final revenue allocation to match the final revenue requirement. In the first step, 50% of the reduction to the Company's proposed rate increase would be allocated on a pro rata basis relative to the rate base assigned to each class by the Company's proposed cost of service study. This step would be generally consistent with the Company's proposed 5% subsidy reduction methodology. The second step would utilize the remaining 50% of the reduction to the Company's proposed rate increase to further reduce subsidies for the subsidy-paying classes. Altogether, this proposed method would result in a final revenue allocation that reduces subsidies by more than 5%.

3. **Refer to the Beiber Testimony, Exhibit JDB-1. Provide in Excel spreadsheet format with all formulas unhidden and all columns and rows accessible.**

RESPONSE:

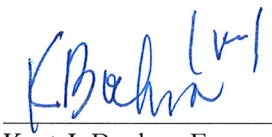
The workpaper for Exhibit JDB-1 was provided in response to Duke Energy Kentucky's First Set of Interrogatories and Requests on January 16, 2020. The workpaper is available on the Commission website here.

4. **In Duke Kentucky 's cost-of-service study, Mr. Ziolkowski applies the minimum system methodology for the allocation of poles, overhead conductors, underground conductors, transformers between customers, and demand-related costs. Explain whether Kroger supports the use of the minimum system.**

RESPONSE:

Kroger supports the use of the minimum system method as proposed by Mr. Ziolkowski in this case.

Respectfully submitted,



Kurt J. Boehm, Esq.
Jody Kyler Cohn, Esq.
BOEHM, KURTZ & LOWRY
36 East Seventh Street, Suite 1510
422Cincinnati, Ohio 45202
Ph: 513.421.2255 Fax: 513.421.2764
kboehm@bkllawfirm.com
jkylercohn@bkllawfirm.com

COUNSEL FOR THE KROGER CO.

February 19, 2020