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**

ATTORNEY GENERAL'S NOTICE TO SUBMIT ON THE RECORD

On May 18, 2020, Duke Energy Kentucky, Inc. ("Duke") sought a rehearing of certain issues derived from the Public Service Commission's ("Commission") Order of April 27, 2020. On June 4, 2020, the Commission granted rehearing in part.

Pursuant to the Scheduling Order entered on June 4, 2020, the Attorney General asserts that the issues presented upon rehearing of this matter may be decided on the record. Nonetheless, if the Commission determines that a hearing would be beneficial to the resolution of these issues, the Attorney General stands ready to participate fully.

The rehearing is limited to the following four issues: (1) adjustments related to excessive plant additions, (2) an error in calculation of an adjustment associated with executive incentive compensation, (3) inequities for those electing to pay monthly under the LED Outdoor Lighting Tariff, and (4) the cost justification for pole foundations, brackets and wiring under the LED Outdoor Lighting Tariff.

First, regarding whether and to what extent the forecast plant additions are excessive, Duke is correct that the reduction of $5.518 million in the revenue requirement is not correctly quantified, although the support for its assertion in its request for rehearing is faulty. The quantification reflected in the Order should be corrected to ensure that the construction work in progress ("CWIP") at December 31, 2018, capital expenditures from January 1, 2019 through December 31, 2020, and plant additions through December 31, 2020 are stated on a consistent basis to include both the base and environmental surcharge mechanism (ESM) amounts for this purpose. In response to Staff RHRD 1-02, Duke provided an updated quantification of the amounts presented in FR16(7)(b), the source relied on by the Commission for the capital expenditures included in 2018 total construction work in progress (CWIP) and the projected total capital expenditures for 2019 and 2020, including the ESM CWIP and capital expenditures.[1]

The table below provides a side-by-side calculation of the quantification reflected in the Order and a corrected quantification using the data from Staff RHRD 1-02. Instead of a reduction in plant additions of $66.324 million as reflected in the Order, the reduction should be $7.471 million. The corrected calculation revises the plant additions and utilizes the pro rata effects of all other aspects of the revenue requirement calculation reflected in the Order. Instead of a revenue requirement reduction of $5.518 million for excessive plant additions as reflected in the Order, the revenue requirement reduction should be $0.622 million.

[1] The CWIP balance as of December 31, 2018 was reported to be $104.394 million. Projected capital expenditures in 2019 and 2020 were reported to be $179.555 million and $136.717 million, respectively.

	Commission Calculation In Order	AG Calculation Including ESM Staff RHRD 1-02
Source: FR 16(7)(b) and Order at P. 11 fn 37		
Total Cap Expenditures through 12-31-2020	361,812,064	420,665,312
Less: Woodsdale New Generation	(17,225,732)	(17,225,732)
Less: Normal CWIP (Assumed as of 12-31-2020)	(35,080,053)	(35,080,053)
Maximum Additions on 12-31-2020	309,506,279	368,359,527
Source: Order at P. 11 - See fn 38 Citations		
January - November 2019 Plant Additions	175,595,527	175,595,527
December 2019 - March 2020 Plant Additions	73,566,174	73,566,174
April - December 2020 Plant Additions	126,668,639	126,668,639
Plant Additions Jan 2019 - Dec 2020	375,830,340	375,830,340
Net Difference - Reduction to Plant In Service	(66,324,061)	
Apparent Diffference Pointed Out by Company	(69)	
Difference Identified In Order - fn 40	(66,324,130)	(7,470,813)
Gross Plant Reduction - Test Year Effect	(53,347,271)	(6,009,087)
Acumulated Depreciation Reduction	873,630	98,407
ADIT Reduction	7,069,799	796,349
Rate Base Reduction	(45,403,842)	(5,114,332)
WACC	8.297%	8.297%
Revenue Requirement Reduction -Return on RB	(3,766,979)	(424,316)
Depreciation Expense Reduction	(1,747,260)	(196,813)
GRCF	1.00195983	1.00195983
Revenue Requirement Reduction - Depr Expense	(1,750,684)	(197,199)
Total Revenue Requirement Reduction	(5,517,663)	(621,515)

Second, regarding the error in the calculation for an adjustment associated with executive incentive compensation, the Commission has already determined that an increase in the revenue requirement of $.050 million is appropriate and resolved this issue.[2]

Third, regarding whether the proposed LED Outdoor Lighting Tariff's rate design structure unfairly penalizes customers who elect to pay monthly instead of paying the entire cost upfront, the Attorney General's position on the proposed rate design structure was articulated in its Response to the Petition to Rehearing.

> The Commission's Final Order addresses an inequity for those who would pay for additional facilities investment under Rate LED upfront when compared to those who would pay for those costs on a monthly basis, which would have been charged at a monthly rate of 1.0117 percent of the total cost of the investment under the proposal. The proposed design of this rate structure clearly would have created a system where customers would have been charged potentially differing amounts based on whether the charges were paid upfront or over time. The amount of the total difference would have depended largely on the useful life of the fixture. While it is certainly true that upfront payment likely results in a lower cost for the Company due to savings on financing costs, allowing a monthly charge to be made of customers in perpetuity is an inequitable way to compensate the Company for those financing costs. The Attorney General agrees with this finding in the Commission's Order; a rehearing is unnecessary as it relates to this issue.[3]

Finally, regarding the cost justification for LED pole foundations, brackets, and wiring associated with the LED Outdoor Lighting Tariff. The Attorney General requests that the Commission scrutinize the information provided by Duke in response to Staff RHDR-01-014 to determine whether this data presents an appropriate cost justification for pole foundations, brackets and wiring. On its face, it appears that it provides such a justification for those costs.

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[2] See Order of June 4, 2020 at 20.

[3] OAG's Response to Petition for Rehearing of May 26, 2020 at 10-11.

CONCLUSION

The Attorney General requests that the Commission enter an order consistent with its analysis presented above.

Respectfully submitted,
DANIEL CAMERON
ATTORNEY GENERAL

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Certificate of Service and Filing

Pursuant to the Commission's Orders dated March 17, 2020 and March 24, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served by e-mail to the parties of record. Further, the Attorney General will submit the paper originals of the foregoing to the Commission within 30 days after the Governor lifts the current state of emergency.

This 6th day of August, 2020.

Assistant Attorney General