KyPSC Case No. 2020-00031
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Duke Energy Kentucky
Case No. 2020-00031
Staff Second Set Data Requests
Date Received: April 15, 2020

STAFF-DR-02-001

REQUEST:

Refer to Duke Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 2(a).

a. Annually and by subaccount, provide the gross sale and purchase transactions included in Federal Energy Regulatory Commission (FERC) Account No. 456.1, Revenues from Transmission of Electricity of Others for each of the past five calendar years.

b. For the base and forecasted test periods from Case No. 2019-00271,[1] provide the gross sale and purchase transactions included in FERC Account No. 456.1, Revenues from Transmission of Electricity of Others.

c. FERC Account No. 456.1, Revenues from Transmission of Electricity of Others, records revenues the public utility receives for the transmission of electricity over its transmission facilities.[2] Explain whether Duke Kentucky owns the transmission facilities that resulted in allocation of GreenHat default charges to Duke Kentucky. If not, explain why Account No. 456111, Other Transmission Revenues is appropriate.

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[1] Case No. 2019-00271, *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; 4) All Other Required Approvals and Relief* (Application filed Sept. 3, 2019)
[2] See RM04-12-000, Order No. 668, Accounting and Financial Reporting for Public Utilities Including RTOs (FERC, Dec. 16, 2005) at 34.

d. Refer also to the application, page 6, paragraph 12. (1) Explain how Duke Kentucky records the cost to purchase Financial Transmission Rights (FTR) and the amount of revenue received from Auction Revenue Rights (ARR). (2) Provide the amounts Duke Kentucky has recorded in FTR expenses and ARR revenues for each of the past five calendar years.

RESPONSE:

a. A summary of Account 0456.1 by subaccount for the years 2015 – 2019 is shown below.

Account	Description	2015	2016	2017	2018	2019
0456110	Transmission Charge PTP	70,014	55,650	48,808	53,503	56,238
0456111	Other Transmission Revenues	7,721,521	1,601,072	2,715,500	18,647,717	3,805,706
0456970	Wheel Transmission Rev - ED	71,261	67,831	58,642	61,823	60,986
	Total Account 456.1	7,862,796	1,724,553	2,822,950	18,763,043	3,922,930

b. The base period includes:

Account	Description	Base Period Amount
0456110	Transmission Charge PTP	101,218
0456111	Other Transmission Revenues	1,461,369
0456970	Wheel Transmission Rev - ED	44,841
	Total Account 456.1	1,607,428

The forecasted period includes:

Account	Description	Forecasted Period Amount
0456110	Transmission Charge PTP	144,996
0456970	Wheel Transmission Rev - ED	24,504
	Total Account 456.1	169,500

c. The Company does not own the transmission facilities that resulted in the allocation of GreenHat default charges to Duke Energy Kentucky. The Company's position is that the GreenHat default charges are fuel-related costs, not transmission revenues. The Company's position that these default charges are fuel related is described in its application and in response to other Staff data requests. Account 456111 is appropriate because GreenHat default charges are related to FTRs.

d. (1) All charges and credits related to FTRs or ARRs are recorded in the Company's trade capture system called CXL (Commodities XL). The Company's accounting and settlements group ensures that values in CXL tie out to the values from the PJM settlements statements.

(2) See STAFF-DR-001d(2) Attachment for a listing of the past 5 years of FTR and ARR revenues and charges as requested. Please note that this attachment does not represent actual costs/revenues received as merely focusing on the FTRs and ARR charges/revenues does not factor the other cost/credits embedded in the load and generation LMP. For example, this schedule does not include the transmission congestion charges or credits.

PERSON RESPONSIBLE: Theodore H. Czupik, Jr.
John Swez (d)

Duke Energy Kentucky, Inc.
FTR Expense and ARR Revenue
Years 2015 - 2019

			ACT_PERIOD_CD												
PS_ACCOUNT_NUMBER	TRADE_TYPE_CD	COST_TYPE_CD	January 2015	February 2015	March 2015	May 2015	April 2015	June 2015	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	Grand Total
456111	ARR	Primary Settlement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		PJM ARR	$ 43,179	$ 183,667	$ 190,176	$ 131,891	$ 132,681	$ 237,827	$ 393,518	$ 311,032	$ 325,503	$ 399,967	$ 230,937	$ 465,778	$ 3,046,156
	FTR	Primary Settlement	$ 626,876	$ 643,457	$ 896,864	$ 994,249	$ 35,469	$ 1,079,610	$ 367,571	$ 340,346	$ 322,435	$ 869,169	$ 926,836	$ 705,778	$ 7,808,659
		PJM Mthly FTR Prem	$ (14,672)	$ 250	$ 17,212	$ 641	$ 2,232	$ 472	$ 8,338	$ 3,476	$ -	$ -	$ -	$ (16,225)	$ 1,724
		PJM Annual FTR Prem	$ (122,897)	$ (98,318)	$ (122,897)	$ (98,318)	$ (98,318)	$ (254,094)	$ (443,613)	$ (354,890)	$ (354,890)	$ (443,613)	$ (266,168)	$ (532,336)	$ (3,190,352)
	(blank)	PJM Yrly Cong Uplift	$ 104	$ 266	$ 178	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 549
		PJM Mthly FTR Prem	$ 1	$ 1	$ 1	$ 1	$ 1	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ 0	$ 5
		PJM FTR Shortfall	$ (63,484)	$ 58,910	$ 13,086	$ (49,521)	$ 11,642	$ (22,939)	$ 64,414	$ 5,711	$ (17,112)	$ (64,675)	$ 24,192	$ 21,721	$ (18,056)
		PJM ARR	$ 104,588	$ 0	$ 0	$ 0	$ -	$ 0	$ -	$ -	$ -	$ -	$ -	$ 0	$ 104,589
			$ 573,695	**$ 788,234**	**$ 994,620**	**$ 978,943**	**$ 83,707**	**$ 1,040,876**	**$ 390,228**	**$ 305,674**	**$ 275,935**	**$ 760,848**	**$ 915,797**	**$ 644,717**	**$ 7,753,274**

			ACT_PERIOD_CD												
PS_ACCOUNT_NUMBER	TRADE_TYPE_CD	COST_TYPE_CD	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	Grand Total
456111	ARR	Primary Settlement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		PJM ARR	$ 311,034	$ 309,427	$ 392,800	$ 315,452	$ 309,822	$ 438,989	$ 377,260	$ 377,260	$ 471,575	$ 377,260	$ 471,575	$ 377,260	$ 4,529,713
	FTR	Primary Settlement	$ 184,031	$ 273,413	$ 235,388	$ (1,038)	$ 20,384	$ 94,656	$ 161,349	$ 262,307	$ 374,440	74,857	$ 6,361	$ 349,492	$ 2,035,641
		PJM Mthly FTR Prem	$ (10,080)	$ (6,211)	$ 57,784	$ 119,292	$ 74,312	$ (5,446)	$ (33,001)	$ (25,780)	$ (10,175)				$ 160,695
		PJM Annual FTR Prem	$ (354,890)	$ (354,890)	$ (443,613)	$ (354,890)	$ (354,890)	$ (499,010)	$ (425,396)	$ (425,396)	$ (531,745)	$ (425,396)	$ (531,745)	$ (425,396)	$ (5,127,258)
	(blank)	PJM FTR Shortfall	$ 22,081	$ 11,898	$ (6,239)	$ 5,521	$ 4,503	$ (1,988)	$ (493)	$ (720)	$ (3,679)	$ 1,217	$ 4,852	$ (24,827)	$ 12,128
		PJM Mthly FTR Prem	$ (0)	$ (0)	$ 0	$ (0)	$ (0)	$ 0	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)
		PJM ARR	$ 0	$ -	$ 63,889	$ 22,223	$ (86,112)	$ -							$ 0
		PJM Yrly Cong Uplift					$ 6								$ 6
			$ 152,177	**$ 233,637**	**$ 300,008**	**$ 106,559**	**$ (31,974)**	**$ 27,201**	**$ 79,720**	**$ 187,671**	**$ 300,416**	**$ 27,938**	**$ (48,957)**	**$ 276,529**	**$ 1,610,924**

			ACT_PERIOD_CD												
PS_ACCOUNT_NUMBER	TRADE_TYPE_CD	COST_TYPE_CD	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017	July 2017	August 2017	September 2017	October 2017	November 2017	December 2017	Grand Total
456111	ARR	Primary Settlement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
		PJM ARR	$ 377,260	$ 377,260	$ 471,575	$ 377,260	$ 377,260	$ 361,180	$ 230,066	$ 287,583	$ 232,101	$ 232,657	$ 288,719	$ 230,066	$ 3,842,987
	FTR	PJM Annual FTR Prem	$ (425,396)	$ (425,396)	$ (531,745)	$ (425,396)	$ (425,396)	$ (399,468)	$ (249,027)	$ (311,284)	$ (249,027)	$ (249,027)	$ (311,284)	$ (249,027)	$ (4,251,472)
		PJM Mthly FTR Prem	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,382)	$ (2,568)	$ -	$ -	$ -	$ (9,949)
		Primary Settlement	$ 101,246	$ 60,108	$ 59,121	$ 15,561	$ 53,906	$ 272,649	$ 86,451	$ 406,809	$ 57,048	$ 831,665	$ 65,747	$ 803,109	$ 2,813,420
	(blank)	PJM FTR Shortfall	$ 22,286	$ (273)	$ (2,488)	$ (3,548)	$ (1,320)	$ 10,294	$ 727	$ (2,473)	$ 2,392	$ (7,179)	$ 6,597	$ (17,567)	$ 7,449
		PJM Mthly FTR Prem	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (2)
		PJM ARR	$ -	$ -	$ -	$ -	$ -	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2
			$ 75,397	**$ 11,700**	**$ (3,536)**	**$ (36,123)**	**$ 4,450**	**$ 244,655**	**$ 68,218**	**$ 373,254**	**$ 39,946**	**$ 808,116**	**$ 49,779**	**$ 766,581**	**$ 2,402,435**

			ACT_PERIOD_CD												
PS_ACCOUNT_NUMBER	TRADE_TYPE_CD	COST_TYPE_CD	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	Grand Total
456111	ARR	PJM ARR	$ 287,583	$ 230,066	$ 230,066	$ 230,066	$ 287,583	$ 458,343	$ 549,654	$ 687,068	$ 549,654	$ 687,068	$ 550,326	$ 549,942	$ 5,297,422
		Primary Settlement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	FTR	PJM Annual FTR Prem	$ (311,284)	$ (249,027)	$ (249,027)	$ (249,027)	$ (311,284)	$ (431,528)	$ (504,528)	$ (630,660)	$ (504,528)	$ (630,660)	$ (504,528)	$ (504,528)	$ (5,080,609)
		PJM Mthly FTR Prem	$ (35,348)	$ (10,310)	$ 187,068	$ 245,518	$ 253,794	$ 15,987	$ (31,423)	$ (26,216)	$ (28,259)	$ (39,602)	$ (31,681)	$ (10,183)	$ 489,346
		Primary Settlement	$ 10,330,888	$ 562,254	$ (5,994)	$ (3,814)	$ 74,442	$ 1,740,890	$ 2,743,455	$ 390,756	$ 1,477,788	$ 653,065	$ 1,040	$ 443,949	$ 18,408,720
	(blank)	1500-FTR Shortfall	$ -	$ -	$ -	$ -	$ (2,681)	$ (55,310)	$ (47,644)	$ 89,701	$ 7,359	$ (54,207)	$ 54,632	$ (45,271)	$ (53,421)
		1500-Mthly FTR Prem	$ -	$ -	$ -	$ -	$ (2)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ (7)
		1999-Custmr Pay Dflt	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (37,400)	$ (58,070)	$ -	$ (15,769)	$ (20,018)	$ (131,258)
		2510-ARR	$ -	$ -	$ -	$ -	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ (2)
		PJM ARR	$ 0	$ 0	$ 0	$ 0	$ 0	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1
		PJM FTR Shortfall	$ 18,154	$ (4)	$ (854)	$ 1,397	$ (103)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 18,589
		PJM Mthly FTR Prem	$ 1	$ 0	$ (2)	$ (3)	$ (1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (5)
			$ 10,289,994	**$ 532,980**	**$ 161,258**	**$ 224,138**	**$ 301,749**	**$ 1,728,382**	**$ 2,709,513**	**$ 473,248**	**$ 1,443,943**	**$ 615,663**	**$ 54,019**	**$ 413,890**	**$ 18,948,777**

			ACT_PERIOD_CD												
PS_ACCOUNT_NUMBER	TRADE_TYPE_CD	COST_TYPE_CD	January 2019	February 2019	March 2019	April 2019	May 2019	June 2019	July 2019	August 2019	September 2019	October 2019	November 2019	December 2019	Grand Total
456111	ARR	PJM ARR	$ 687,068	$ 549,654	$ 549,654	$ 549,654	$ 687,834	$ 176,988	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,200,853
		Primary Settlement	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
	FTR	PJM Annual FTR Prem	$ (630,660)	$ (504,528)	$ (504,528)	$ (504,528)	$ (630,660)	$ (598,667)	$ (643,260)	$ (804,075)	$ (643,260)	$ (804,075)	$ (643,260)	$ (643,260)	$ (7,554,761)
		PJM Mthly FTR Prem	$ -	$ -	$ (23,435)	$ (32,809)	$ (41,012)	$ (35,199)	$ (14,273)	$ -	$ (25,049)	$ (48,924)	$ (37,610)	$ (74,020)	$ (332,332)
		Primary Settlement	$ 568,550	$ 295,240	$ 17,716	$ 68,244	$ 12,864	$ 189,765	$ 790,569	$ 685,118	$ 308,282	$ 374,235	$ 354,721	$ 510,258	$ 4,175,562
	(blank)	1500-FTR Shortfall	$ (12,648)	$ 64,335	$ 1,020	$ (2,764)	$ 3,437	$ (22,289)	$ (77,898)	$ 76,679	$ 11,866	$ 3,376	$ (4,755)	$ (70,882)	$ (30,523)
		1500-Mthly FTR Prem	$ (1)	$ (1)	$ (1)	$ (1)	$ (1)	$ 0	$ 0	$ 1	$ 0	$ 0	$ 0	$ 0	$ (1)
		1999-Custmr Pay Dflt	$ (26,873)	$ (15,133)	$ (36,288)	$ (9,523)	$ (15,992)	$ (9,790)	$ (11,921)	$ (6,824)	$ (6,895)	$ (9,547)	$ (18,062)	$ (15,544)	$ (182,393)
		2510-ARR	$ (0)	$ (0)	$ (0)	$ (0)	$ (0)	$ 433,287	$ 638,528	$ 798,160	$ 638,528	$ 798,160	$ 651,520	$ 646,192	$ 4,604,373
			$ 585,436	**$ 389,568**	**$ 4,137**	**$ 68,273**	**$ 16,471**	**$ 134,094**	**$ 681,745**	**$ 749,059**	**$ 283,472**	**$ 313,225**	**$ 302,554**	**$ 352,744**	**$ 3,880,779**

STAFF-DR-02-002

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Items 2(b) and 4. Confirm that the GreenHat default charges represent roughly 1 percent of Duke Kentucky's transmission expenses in 2018 or 2019. If confirmed, explain why Duke Kentucky does not believe these expenses are *de minimis.*

RESPONSE:

Dividing the fuel-related GreenHat charges by the Company's transmission expenses for 2018 and 2019 does equate approximately to one percent. However, because the charges at issue are considered generation costs, and are fuel-related, there is no relationship of GreenHat charges and transmission expense. The GreenHat default charges are not transmission expenses but rather hedges against congestion in the day-ahead market for Duke Energy Kentucky's native load customers. As the Commission's Order in Case No. 2019-006 noted, "… FTR costs are a cost of *generation*" and the GreenHat costs are "*fuel-related*."[1] The GreenHat charges at issue thus represent a cost of fuel that Duke Energy Kentucky is being charged by order of FERC, under a FERC-approved tariff, that this Commission determined the Company could not recover from customers via the FAC, but instead required a separate order and action through a base rate proceeding.[2] The standard

[1] *See In the Matter of the Electronic Examination of the Application of the Fuel Adjustment Clause of Duke Energy Kentucky, Inc., from November 1, 2016 through October 31, 2018,* Case No. 2019-0006 Ky. P.S.C. Order pp. 4-5 (Dec. 26, 2019). *Emphasis added.*
[2] Id.

for a deferral as referenced by the Company in its application noted that the costs represented an extraordinary, nonrecurring expense which could not have reasonably been anticipated in the utility's planning.[3] The GreenHat default and the FERC-order that brought about the increased charges were unusual, and not something that regularly occurs. Indeed, the requested deferral would also be justified as an expense brought about by a statutory or administrative directive, in this instance, FERC order and tariffs. Given these factors, the magnitude of the charge is not a reasonable basis for disallowance.

PERSON RESPONSIBLE: Theodore H. Czupik, Jr.

[3] Application at 5.

Duke Energy Kentucky
Case No. 2020-00031
Staff Second Set Data Requests
Date Received: April 15, 2020

STAFF-DR-02-003

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 5(a).

a. Confirm that Duke Kentucky originally billed $270,497.48 to customers through the Fuel Adjustment Clause (FAC) and subsequently credited that amount to customers through the FAC.

b. Provide the journal entries that Duke Kentucky recorded when it originally billed the GreenHat Energy, LLC (GreenHat) default charges through the FAC and when it subsequently credited those amounts through the FAC.

c. Explain how the GreenHat default charges resulted in an under-collection of actual fuel costs versus fuel costs included in base rates.

RESPONSE:

a. Confirmed. Duke Energy Kentucky is in the process of refunding the charges originally billed to customers as instructed by the Commission in Case No. 2019-00006 and Case No. 2019-00230.

b. The journal entry originally recorded by Duke Energy Kentucky to book the GreenHat default charges was a debit to Account 456111 and credit to cash. In addition, each month the Company also books an entry to defer the difference between actual fuel expense and fuel expense included in base rates. If the amount of actual fuel cost for a given month is greater than fuel cost recovered in base rates, there is a debit to Account 242890 Deferred Rev Pay - Fuel and a credit to Account

557980 Retail Deferred Fuel Expense. This indicates that there was under-recovery of fuel cost in base rates and that additional fuel cost will be recovered from customers through the FAC. On the other hand, if the amount of actual fuel cost for a given month is less than fuel cost recovered in base rates, there is a debit to Account 557980 and a credit to Account 242890. This indicates that there was an over-recovery of fuel in base rates and that fuel cost will be credited to customers through the FAC.

c. The response to Staff-DR-01-005 should have stated that it was appropriate to credit Account 242890 because the original inclusion of GreenHat default charges as a fuel cost caused an over-collection of fuel costs which will be refunded to the customer through the FAC.

PERSON RESPONSIBLE: Theodore H. Czupik, Jr.

STAFF-DR-02-004

REQUEST:

Refer to Duke Kentucky's response to Staff's First Request, Item 7. Explain why Duke Kentucky did not allocate any GreenHat default charges to off-system sales through its Project Sharing Mechanism.

RESPONSE:

As explained in the Company's application, GreenHat was a PJM member and Financial Transmission Rights (FTR) market participant. GreenHat's prior actions affected the results of the FTR auction and thus likely have already impacted Duke Energy Kentucky's customers through the FTR auction clearing prices. The FTR portfolio is a hedge against congestion in the day-ahead market for Duke Energy Kentucky's native load customers in PJM.

Since the GreenHat default charges are related to Financial Transmission Rights (FTR), Duke Energy Kentucky's native load customers receive 100% of the benefits of FTRs. Since native load customers receive 100% of FTR revenues it is appropriate to also allocate 100% of the costs of FTRs to native load customers. The GreenHat default charges are an FTR cost, it is appropriate to allocate 100% of the cost to native load customers. Said another way, it would be inappropriate to allocate the GreenHat FTR costs to off-system sales since off-system sales receives no FTR revenues.

PERSON RESPONSIBLE: Theodore H. Czupik, Jr.
John Swez