

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

AN ELECTRONIC EXAMINATION BY THE	)	
PUBLIC SERVICE COMMISSION OF THE	)	Case No. 2020-00142
ENVIRONMENTAL SURCHARGE MECHANISM	)	
OF DUKE ENERGY KENTUCKY, INC. FOR THE	)	
SIX-MONTH BILLING PERIOD ENDING	)	
NOVEMBER 30, 2019	)	

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**DIRECT TESTIMONY OF**  
**THEODORE H. CZUPIK JR.**  
**ON BEHALF OF**  
**DUKE ENERGY KENTUCKY, INC.**

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June 12, 2020

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**I. INTRODUCTION AND PURPOSE**

1 **Q. STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Theodore H. Czupik Jr. and my business address is 139 E. Fourth  
3 Street, Cincinnati, Ohio 45202.

4 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A. I am employed by Duke Energy Business Services LLC (DEBS) as Rates and  
6 Regulatory Strategy Manager. DEBS is a service company subsidiary of Duke  
7 Energy Corporation and a non-utility affiliate of Duke Energy Kentucky, Inc.  
8 (Duke Energy Kentucky or Company).

9 **Q. PLEASE BRIEFLY DESCRIBE YOUR EDUCATIONAL BACKGROUND  
10 AND PROFESSIONAL EXPERIENCE.**

11 A. I received a Bachelor of Science degree in Accounting from the University of  
12 Dayton in 1985. I became a Certified Public Accountant (CPA) in the State of Ohio  
13 in 1988.

14 I began my career with The Cincinnati Gas & Electric Company (CG&E)  
15 in 1985 as a Staff Accountant in the Accounting Department. Between 1985 and  
16 1993, I held various positions in the Accounting Department until I transferred to  
17 the Rate Department in 1993. I progressed through various positions until receiving  
18 my current position as Rates & Regulatory Strategy Manager in January 2014.

19 **Q. PLEASE DESCRIBE YOUR PROFESSIONAL AFFILIATIONS.**

20 A. I am a member of the American Institute of Certified Public Accountants and the  
21 Ohio Society of Certified Public Accountants.

1 **Q. HAVE YOU TESTIFIED PREVIOUSLY BEFORE THE PUBLIC SERVICE**  
2 **COMMISSION?**

3 A. Yes. I have testified in fuel adjustment clause (FAC) and environmental surcharge  
4 mechanism (ESM) proceedings before the Kentucky Public Service Commission  
5 (Commission).

6 **Q. PLEASE SUMMARIZE YOUR DUTIES AS RATES AND REGULATORY**  
7 **STRATEGY MANAGER.**

8 A. As Rates & Regulatory Strategy Manager, my duties include filing various  
9 monthly, quarterly and annual rate recovery mechanisms, preparing cost of service  
10 studies, and preparing other schedules used in retail rate filings for Duke Energy  
11 Kentucky and its parent, Duke Energy Ohio, Inc.

12 **Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?**

13 A. The purpose of this proceeding is to review the operation of Duke Energy  
14 Kentucky's environmental surcharge mechanism tariff (Rider ESM or ESM) during  
15 the six-month billing period ending November 30, 2019 and to determine whether  
16 the ESM revenues collected during the review period are just and reasonable.

17 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

18 A. The purpose of my testimony is to (1) support the Company's Rider ESM filings  
19 during the six-month review period, (2) explain how the ESM billing factors were  
20 calculated, and (3) demonstrate that the revenue collected during the period was  
21 just and reasonable.

## II. DISCUSSION

### A. The Company's Rider ESM

1 **Q. PLEASE DESCRIBE THE OPERATION OF DUKE ENERGY**  
2 **KENTUCKY'S RIDER ESM FOR THE BILLING PERIODS UNDER**  
3 **REVIEW.**

4 A. The monthly environmental surcharge billing factors applied during the billing  
5 period under review were calculated consistent with the Commission's Orders in  
6 Duke Energy Kentucky's previous applications to implement or amend its ESM  
7 and compliance plan. In each month of the six-month period under review in this  
8 proceeding, Duke Energy Kentucky calculated the environmental surcharge factors  
9 in accordance with its Rider ESM Tariff approved by the Commission's Order in  
10 Case No. 2017-00321. Duke Energy Kentucky billed an environmental surcharge  
11 to its customers from June 1, 2019 through November 30, 2019. The calculations  
12 were made in accordance with the Commission approved monthly forms and were  
13 filed with the Commission ten days before the new monthly charge was billed by  
14 the Company, per KRS 278.183.

15 **Q. WHAT ARE THE COMPONENTS OF THE ENVIRONMENTAL**  
16 **COMPLIANCE COSTS THAT WERE INCLUDED IN THE**  
17 **CALCULATION OF THE ENVIRONMENTAL SURCHARGE BILLING**  
18 **FACTORS FOR THE BILLING PERIODS UNDER REVIEW?**

19 A. In each month of the six-month period under review in this proceeding, Duke  
20 Energy Kentucky's environmental compliance costs, E(m), include: (1) a return on  
21 environmental compliance rate base, (2) environmental operating expenses, and (3)

1 adjustment for over- or under-recovery of previously filed monthly jurisdictional  
2 E(m).

3 **Q. PLEASE DESCRIBE THE COMPONENTS OF ENVIRONMENTAL**  
4 **COMPLIANCE RATE BASE THAT WERE INCLUDED IN THE**  
5 **CALCULATION OF THE ENVIRONMENTAL SURCHARGE BILLING**  
6 **FACTORS FOR THE BILLING PERIODS UNDER REVIEW?**

7 A. Environmental compliance rate base included in the calculation of the  
8 environmental surcharge billing factors for the six-month billing period under  
9 review includes: (1) eligible environmental compliance plant in-service, (2) eligible  
10 environmental compliance construction work in progress (CWIP), (3) emission  
11 allowance inventory, (4) accumulated depreciation on eligible environmental  
12 compliance plant in-service, and (5) deferred income taxes on eligible  
13 environmental compliance plant in-service. The capital projects that comprise the  
14 environmental compliance plant in-service and CWIP are those approved by the  
15 Commission in Case No. 2017-00321 and Case No. 2018-00156. Capital projects  
16 included in the calculation of the Rider ESM include the following as shown on  
17 FORM 2.10 of the monthly Rider ESM filings:

Project No.	Description
1	EB020290 Lined Retention Basin West
2	EB020745 Lined Retention Basin East
3	EB020298 East Bend SW/PW Reroute
4	EB021281 East Bend Landfill Cell 2

1 **Q. WHAT ENVIRONMENTAL PLAN OPERATING EXPENSES WERE**  
2 **INCLUDED IN THE CALCULATION OF THE ENVIRONMENTAL**  
3 **SURCHARGE BILLING FACTORS FOR THE BILLING PERIODS**  
4 **UNDER REVIEW?**

5 A. The environmental plan operating expenses included in the calculation of the  
6 environmental surcharge billing factors for the six-month billing period under  
7 review are those approved by the Commission in Case No. 2017-00321 and are  
8 shown on FORM 2.00 of the monthly Rider ESM filings. The expenses included in  
9 the calculation of Rider ESM include the following as shown on FORM 2.00 of the  
10 monthly Rider ESM filings:

Description	Source
Monthly Depreciation Expense	ES Form 2.10
Monthly Taxes Other Than Income Taxes	ES Form 2.10
Monthly Amortization Expense	ES Form 2.20
Monthly Emission Allowance Expense	ES Form 2.30
Monthly Environmental Reagent Expense	ES Form 2.50

1 **Q. IS THE COMPANY PROPOSING TO MAKE ANY CHANGES TO ITS**  
2 **RIDER ESM TARIFF?**

3 A. No. The Company does not believe that it is necessary to make any changes to its  
4 Rider ESM tariff.

**B. Data Requests Sponsored**

5 **Q. PLEASE IDENTIFY THE RESPONSES TO COMMISSION DATA**  
6 **REQUESTS YOU ARE SPONSORING.**

7 A. I sponsor the Company's responses to Staff Data Request Numbers 1 through 4.  
8 These responses were prepared by me and/or under my direction and control and  
9 are true and accurate to the best of my knowledge and belief.

**III. CONCLUSION**

10 **Q. WERE THE ESM BILLING FACTORS CHARGED DURING THE SIX**  
11 **MONTHS UNDER REVIEW CALCULATED IN ACCORDANCE WITH**  
12 **THE RIDER ESM TARIFF AND APPLICABLE COMMISSION ORDERS?**

13 A. Yes, the ESM billing factors charged during the six months under review were  
14 calculated in accordance with the Rider ESM tariff and applicable commission  
15 orders. The environmental surcharge billing factors charged during the review  
16 period were fair, just and reasonable.

17 As shown on the bottom of Form 2.00 of each monthly filing, any over-  
18 recovery of net jurisdictional E(m) is deducted from the current expense month net  
19 jurisdictional E(m) and any under-recovery of net jurisdictional E(m) is added to  
20 the current expense month net jurisdictional E(m). This over- or under- recovery  
21 is reflected on Line 11 of FORM 1.10 of each monthly filing.



1 Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

2 A. Yes.