

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)
KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF) CASE NO.
THE NATURAL GAS RATES; 2) APPROVAL OF) 2021-00190
NEW TARIFFS, AND 3) ALL OTHER REQUIRED)
APPROVALS, WAIVERS, AND RELIEF)

**ATTORNEY GENERAL'S POST-HEARING MEMORANDUM BRIEF IN SUPPORT
OF THE TENDERED SETTLEMENT**

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“AG”), submits the following Post-Hearing Memorandum Brief in Support of the parties’ tendered settlement in the above-styled matter.

On June 1, 2021, Duke Energy of Kentucky, Inc. (“DEK” or “Company”) filed its application in the above-styled matter. On June 2, 2021, the AG moved to intervene, which motion was granted on June 4, 2021. Following multiple rounds of discovery from both the AG and Commission Staff, the AG on September 1, 2021, filed his written direct testimony. Both Commission Staff and DEK submitted data requests to the AG on September 16, 2021 and September 20, 2021, respectively, to which the AG filed responses on October 1, 2021. During September and October of 2021, the AG and DEK (jointly, “the parties”), representing diverse interests and viewpoints, conducted settlement discussions, which led to the October 8, 2021 filing of the Joint Stipulation and Recommendation (“Stipulation”) in this matter. An evidentiary hearing was held on October 18, 2021.

The AG believes that the tendered settlement stipulation represents the best, and most reasonable resolution of all issues in this proceeding. In particular, the AG highlights some of

the primary reasons why he believes the settlement is good for ratepayers, and why the Commission should adopt it in its entirety.

Return on Equity and Four-year Stay-Out

The 9.375% return on equity (“ROE”) contained in the Stipulation is justified because of the efficient management of the Company and their commitment to a four-year base rate case stay-out. Under the Stipulation, absent extraordinary circumstances, the Company cannot file an application for new base rates to take effect before January 1, 2026. This contrasts with their recent practice of filing rate cases every two years. The rate stability provided by a four-year stay-out is important and could not result from a litigated proceeding.

Revenue Requirements

The revenue requirement adjustments reduced DEK’s rate increase by 38% from approximately \$15.2 million to approximately \$8.8 million. While the Stipulation did not adopt every revenue requirement reduction advocated by the AG, a 38% reduction from the filed application is significant. The average residential rate increase of approximately 8% from the Stipulation is reasonable. When the effect of a four-year stay-out period is considered, the increase will average about 2% for each of those years for residential customers, which is less than the rate of inflation.

Monthly Customer Charge

The residential monthly customer charge will increase by only \$1.00, from the current \$16.50 per month to \$17.50, a reduction of approximately 60% from DEK’s as-filed requested amount of \$19.00.

Pipeline Modernization Mechanism Rider

The Stipulation recommends a rider for the establishment of a Pipeline Modernization Mechanism (“PMM”) to address pipeline maintenance and safety that is required under federal law by the Pipeline and Hazardous Materials Safety Administration (“PHMSA”) regulations. The PMM spells out the projects required to be addressed under PHMSA, while limiting the term and yearly amount to the ratepayers. The AG believes the PMM rider is a fair, just and reasonable way to address the very important issue of pipeline safety and maintenance. Additionally, the economic importance of the proposed AMO7 pipeline replacement to Northern Kentucky region cannot be overstated.

WHEREFORE, the Attorney General urges the Commission to adopt the tendered Stipulation in its entirety, as he believes it is fair, just and reasonable and in the best interests of DEK’s ratepayers.

Respectfully submitted,

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Certificate of Service and Filing

Pursuant to the Commission's Orders in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 10th day of November, 2021



Assistant Attorney General