

VERIFICATION

STATE OF OHIO)
)
COUNTY OF HAMILTON) **SS:**

The undersigned, Libbie Miller, Rates & Regulatory Strategy Manager, being duly sworn, deposes and says that she has personal knowledge of the matters set forth in the foregoing revised data request, and that the answers contained therein are true and correct to the best of her knowledge, information, and belief.



Libbie Miller Affiant

Subscribed and sworn to before me by Libbie Miller on this 9th day of April,
2024.



NOTARY PUBLIC

My Commission Expires: July 8, 2027



EMILIE SUNDERMAN
Notary Public
State of Ohio
My Comm. Expires
July 8, 2027

KyPSC Case No. 2023-0374
TABLE OF CONTENTS

<u>DATA REQUEST</u>	<u>WITNESS</u>	<u>TAB NO.</u>
STAFF-DR-02-001	Libbie Miller	1
STAFF-DR-02-002	Libbie Miller	2
STAFF-DR-02-003	Libbie Miller	3

Duke Energy Kentucky
Case No. 2023-00374
STAFF Second Set of Data Requests
Date Received: March 21, 2024

STAFF-DR-02-001

REQUEST:

Refer to Duke Kentucky's Environmental Surcharge (ES) filing for expense months October 2021 and December 2021, Form 1.10. The Total Adjusted Jurisdictional E(m) for October 2021 as filed is \$896,302. The over- and under-recovery amount of (\$104,585) appears to be overstated in the December 2021 filing when the Total Adjusted Jurisdictional E(m) amount of \$896,302 is carried forward. Provide an explanation of the apparent discrepancy and a reconciliation of the amounts.

RESPONSE:

The Company inadvertently used an incorrect amount of \$894,065 on Form 2.00, line 25, Adjusted Jurisdictional E(m) Authorized for Expense Month Two Months Prior, in the December 2021 ESM filing for the over/under recovery calculation. The amount should have been \$896,302 on Form 2.00, line 25. The Company corrected the amount by including an adjustment of \$2,237 on Form 1.10, line 10, Prior Period Adjustment, in the June 2022 ESM filing. Please see STAFF-DR-02-001 Attachment for a reconciliation.

PERSON RESPONSIBLE: Libbie Miller

ES FORM 2.00

DUKE ENERGY KENTUCKY, INC.
ENVIRONMENTAL SURCHARGE REPORT

Revenue Requirement of Environmental Compliance Costs

Line No.	Determination of Environmental Compliance Rate Base (RB)	Source	Original As Filed	Corrected (Not Filed)	Difference
			Expense Month December 2021 Amount ⁽¹⁾	Expense Month December 2021 Amount	Expense Month December 2021 Amount
1	Eligible Environmental Compliance Plant (Gross Plant) Excluding AFUDC	ES Form 2.10	\$ 67,432,275	\$ 67,432,275	\$ -
2	Eligible Environmental Compliance CWIP Excluding AFUDC	ES Form 2.10	-	-	\$ -
3	Subtotal		\$ 67,432,275	\$ 67,432,275	\$ -
4	<u>Additions:</u>				
5	Inventory - Emission Allowances	ES Form 2.30	\$ 19,099	\$ 19,099	\$ -
6	Subtotal		\$ 19,099	\$ 19,099	\$ -
7	<u>Deductions:</u>				
8	Accumulated Depreciation on Eligible Environmental Compliance Plant	ES Form 2.10	\$ 4,064,000	\$ 4,064,000	\$ -
9	Accumulated Deferred Income Taxes on Eligible Environmental Compliance Plant	ES Form 2.10	4,352,002	4,352,002	\$ -
10	Accumulated Deferred Investment Tax Credits (ITC) on Eligible Environmental Compliance F	ES Form 2.10	-	-	\$ -
11	Subtotal		\$ 8,416,002	\$ 8,416,002	\$ -
12	Environmental Compliance Rate Base		\$ 59,035,372	\$ 59,035,372	\$ -
13	<u>Determination of Environmental Compliance Operating Expenses (OE)</u>				
14	Monthly Depreciation Expense	ES Form 2.10	\$ 138,791	\$ 138,791	\$ -
15	Monthly Taxes Other Than Income Taxes	ES Form 2.10	\$ 70,886	\$ 70,886	\$ -
16	Monthly Amortization Expense	ES Form 2.20	\$ 202,486	\$ 202,486	\$ -
17	Monthly Emission Allowance Expense	ES Form 2.30	\$ 12	\$ 12	\$ -
18	Monthly Environmental Reagent Expense	ES Form 2.50	\$ 234,642	\$ 234,642	\$ -
19	Total Environmental Compliance Operating Expense		\$ 646,817	\$ 646,817	\$ -
20	<u>Proceeds from Emission Allowance Sales (EAS)</u>				
21	SO2 Allowance Sales		\$ -	\$ -	\$ -
22	NOx Allowances Sales		-	-	\$ -
23	Total Emission Allowance Sales		\$ -	\$ -	\$ -
24	<u>(Over) / Under Recovery</u>				
25	Adjusted Jurisdictional E(m) Authorized for Expense Month two Months Prior		\$ 894,065	\$ 896,302	\$ 2,237
26	Jurisdictional E(m) Revenue Recovered in Current Expense Month		998,650	998,650	\$ -
27	(Over) / Under Recovery		\$ (104,585)	\$ (102,348)	\$ 2,237

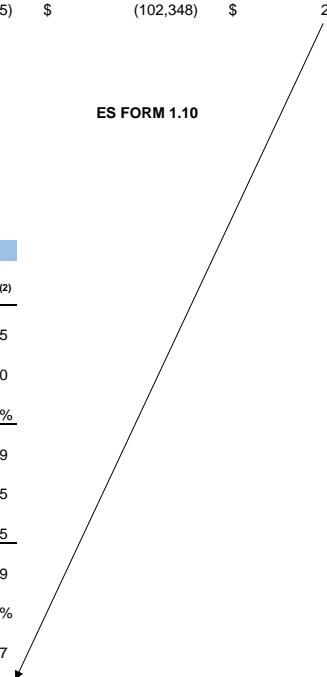
⁽¹⁾ Per Staff-DR-01-001 Attachment 46 Form 2.00

DUKE ENERGY KENTUCKY, INC.
ENVIRONMENTAL SURCHARGE REPORT

ES FORM 1.10

Calculation of Current Month Environmental Surcharge Factors

Line No.	E(m) = RORB + OE - EAS + Prior Period Adjustment + (Over)/Under Recovery	Source	Original As Filed
			Expense Month June 2022 Environmental Compliance Plans ⁽²⁾
1	Environmental Compliance Rate Base (RB)	ES Form 2.00	\$ 57,860,995
2	RB ÷ 12 months	(1) ÷ 12	\$ 4,821,750
3	Pretax Rate of Return (ROR)	ES Form 1.20	7.905%
4	Return on the Environmental Compliance Rate Base (RORB)	(2) x (3)	\$ 381,159
5	Environmental Operating Expenses (OE)	ES Form 2.00	+ \$ 2,632,315
6	Less: Proceeds from Emission Allowance Sales (EAS)	ES Form 2.00	- \$ 2,584,475
7	Sub-Total E(m)	(4) + (5) - (6)	\$ 428,999
8	Jurisdictional Allocation Ratio for Expense Month	Line 18	96.96%
9	Jurisdictional E(m)	(7) x (8)	\$ 415,957
10	Prior Period Adjustment (if necessary)	(A)	+ \$ 2,237
11	Adjustment for (Over)/Under Recovery	ES Form 2.00	+ \$ 582,615
12	Total Adjusted Jurisdictional E(m)	(9) + (10) + (11)	\$ 1,000,809
13	Jurisdictional E(m) to be Recovered in Rider PSM	(7) - (9)	\$ 13,042



Duke Energy Kentucky
Case No. 2023-00374
STAFF Second Set of Data Requests
Date Received: March 21, 2024

STAFF-DR-02-002

REQUEST:

Refer to Duke Kentucky's ES filing for expense months February 2022 through April 2022, Form 2.20, page 2 of 3. Explain the rationale behind the February Notice of the approved landfill closure costs being recovered with a two-month lag beginning with the April 2022 expense month filing.

RESPONSE:

KRS Chapter 278.183, Section 2, states the following:

“Recovery of costs pursuant to subsection (1) of this section that are not already included in existing rates shall be by environmental surcharge to existing rates imposed as a positive or negative adjustment to customer bills in the second month following the month in which costs are incurred.”

The Company is following the statute by including the costs in the expense month the costs were incurred and recovering those costs two months later. For example, the February 2022 spend on Form 2.20 page 2 of 3, of \$103,920 (Column 7, line 64) is recovered in April 2022 rates (Column 8, line 66). All of the costs incurred in an expense month are included in customer bills in the second month following the month in which the costs are incurred. The two-month lag is related to when costs are recovered, not the expense month to include costs.

Also, in Case No. 2021-00290 per the Direct Testimony of Theodore H. Czupik, page 3, lines 14-17, “*The Company proposes to revise FORM 2.20 of its monthly ESM filing to add columns for the monthly cash spend related to the closure of the East Landfill, for recovery on a two-month lag, similar to recovery of other ARO costs recovered in Rider ESM.*”

The Commission granted Duke Energy Kentucky’s request in this same Order 2021-00290 as referenced in Mr. Czupik’s Direct Testimony above, “*to amend its Environmental Compliance Plan (ECP) for purposes of recovering the costs of the closure and maintenance of the East Landfill and the maintenance of the West Landfill through its ESM is granted, and to recover unrecovered construction, maintenance, closure, and post-closure maintenance costs of the East Landfill and unrecovered maintenance costs of the West Landfill through its ESM is granted*”, per Order 2021-00290, page 10, Sections 2 and 3.

PERSON RESPONSIBLE: Libbie Miller

Duke Energy Kentucky
Case No. 2023-00374
STAFF Second Set of Data Requests
Date Received: March 21, 2024

STAFF-DR-02-003

REQUEST:

Refer to Duke Kentucky's ES filing beginning with the expense month February 2022 going forward, Form 2.00, line 16 "Monthly Amortization Expense" and Form 2.20, column 7 and column 11. Compare the figures from Form 2.00, line 16, with the "Total Recovery" (column 11) figures found on Form 2.20 beginning with the expense month February 2022 going forward. It appears that the "Total Recovery" (column 11) figure from Form 2.20 accounts for Cash Spend (column 7) with a two-month lag, while the "Monthly Amortization Expense" figure from Form 2.00 accounts for Cash Spend (column 7) in the month that the expense is incurred. Explain the rationale between the two accounting treatments for "Cash Spend" (column 7) between Form 2.20 and Form 2.00.

RESPONSE:

The Company is using the same accounting treatment for the Cash Spend amount (column 7) between Form 2.20 and Form 2.00. The entire ESM filing, including Forms 2.00 and 2.20, reports all operating expenses in the expense month they are incurred and recovered two months later. Form 2.20 not only shows the month the costs are incurred but also shows the month the costs will be recovered. As an example, the February 2022 Cash Spend of \$103,920 incurred for the month is located on Form 2.20, column 7, line 64. This amount also is located on Form 2.20, column 8, line 66, showing that it will be recovered two months later in April 2022. The total amortization expense for an expense month includes the ARO cash spend for that month and the ARO amortization approved

in Case Nos. 2017-00321 and 2021-00290. See the response to STAFF-DR-02-002 for the rational supporting this treatment.

PERSON RESPONSIBLE: Libbie Miller