

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY,)	
INC. FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	CASE NO.
AUTHORIZING THE IMPLEMENTATION OF AN)	2015-00210
ACCELERATED SERVICE LINE)	
REPLACEMENT PROGRAM, APPROVAL OF)	
OWNERSHIP OF SERVICE LINES, AND A GAS)	
PIPELINE REPLACEMENT SURCHARGE)	

ORDER

On July 6, 2015, Duke Energy Kentucky, Inc. ("Duke") tendered for filing an application for a Certificate of Public Convenience and Necessity ("CPCN") authorizing the accelerated replacement of customer service lines through an accelerated service line replacement program ("ASRP"), for approval of interior customer meter relocation, for continuing authority to assume ownership of customer service lines as they are replaced,¹ and for approval of an ASRP tariff and surcharge mechanism to recover the cost of the service line replacement as well as the meter relocation cost pursuant to KRS 278.509.² By letter dated July 9, 2015, the Commission notified Duke that its application contained no deficiencies based on the filing requirements for a CPCN application, and that it was accepted for filing. By Order entered July 10, 2015, the

¹ Duke's predecessor, The Union Light, Heat and Power Company, was authorized to assume ownership of customer service lines as they were replaced in Case No. 2005-00042, *An Adjustment of the Gas Rates of The Union Light, Heat and Power Company* (Ky. PSC Dec. 22, 2005).

² KRS 278.509 authorizes the Commission to approve recovery for costs for investment in a gas pipeline replacement program if the costs are not recovered in the existing rates of a regulated utility, provided that the Commission determines the costs of the program are fair, just, and reasonable. See Application at 8-9.

Commission granted the request for intervention from the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention.

Based on a review of Duke's application, the Commission finds that:

1. The record does not reflect that Duke provided notice to its customers regarding its proposed new ASRP tariff and surcharge rates. Duke's proposed ASRP tariff sets out an effective date of August 6, 2015. 807 KAR 5:011, Section 9, states:

Statutory Notice to the Commission. (1) The proposed rates on a new tariff or revised sheet of an existing tariff shall become effective on the date stated on the tariff sheet if:

(a) Proper notice was provided to the public in accordance with Section 8 of this administrative regulation;

(b) Statutory notice was provided; and

(c) The commission does not suspend the proposed rates pursuant to KRS 278.190.

(2) All information and notices required by this administrative regulation shall be furnished to the commission at the time of the filing of the proposed rate. If a substantial omission occurs, which is prejudicial to full consideration by the commission or to the public, the statutory notice period to the commission shall not commence until the omitted information and notice is filed.

Therefore, Duke should provide customer notice as prescribed in 807 KAR 5:011, Section 8. Once Duke has provided proof of notice to the Commission, along with a proposed new ASRP tariff sheet reflecting an effective date no less than 30 days from the date proper notice to the public is provided, the 30-day notice period for the new tariff and rate will commence.

2. To provide sufficient information to enable the initial review of its proposal, Duke should supplement its application with the following:

a. Expert testimony in support of the reasonableness of its proposal to use the rate of return authorized in its last rate case, Case No. 2009-00202,³ in the calculation of its proposed ASRP surcharge.⁴ The testimony should include an analysis of the return on equity (“ROE”) required by investors for investment in Duke’s gas utility operations based on current expectations and market conditions.

b. Detailed support of how its proposal to include meter relocation expense in its proposed ASRP conforms to the statutory provision of KRS 278.509 for cost recovery for investment in “natural gas pipeline” replacement programs.

c. Duke’s earned ROE from gas operations for the 12 months ended June 30, 2015, and for the five calendar years 2010 through 2014. Based on the resulting ROE levels, Duke should also provide:

(1) an explanation of the extent to which it could absorb the costs of the proposed ASRP program based on the revenues produced by existing gas base rates, if it is earning more ROE than its allowed; or

(2) an explanation of why it is not proposing an ASRP tariff and surcharge mechanism within the context of a base rate proceeding which would include a comprehensive analysis of its revenues and expenses and would address any failure to earn a reasonable ROE, if it is not doing so.

IT IS HEREBY ORDERED that:

1. Duke shall provide customer notice of its proposed new ASRP tariff and rates as prescribed in 807 KAR 5:011, Section 8, and provide proof of notice to the

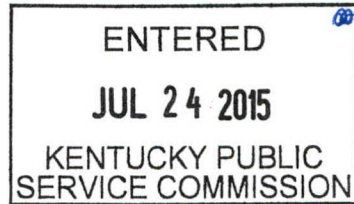
³ Case No. 2009-00202, *Application of Duke Energy Kentucky, Inc. for an Adjustment of Rates* (Ky. PSC Dec. 29, 2009).

⁴ See Application, Direct Testimony of Peggy Laub at 4.


Commission. The statutory notice period to the Commission for the proposed tariff and rates shall not commence until the proof of notice is filed.

2. Within 30 days of the date of this Order, or upon filing proof of customer notice as required by ordering paragraph 1, whichever is later, Duke shall provide the information required in finding paragraph 2.

By the Commission



ATTEST:



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