

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF DUKE ENERGY KENTUCKY, )  
INC. FOR (1) A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY )  
AUTHORIZING THE CONSTRUCTION OF AN ) CASE NO.  
ADVANCED METERING INFRASTRUCTURE; ) 2016-00152  
(2) REQUEST FOR ACCOUNTING TREATMENT; )  
AND (3) ALL OTHER NECESSARY WAIVERS, )  
APPROVAL, AND RELIEF )

ORDER

The matter is before the Commission upon a motion to dismiss without prejudice filed by the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention (“AG”) and a motion filed by Duke Energy Kentucky, Inc. (“Duke Kentucky”) to amend the procedural schedule to allow it an opportunity to file supplemental/rebuttal testimony. For the following reasons, the Commission will deny the AG’s motion to dismiss and grant Duke Kentucky’s motion to amend the procedural schedule.

AG’S MOTION TO DISMISS

In support of its motion, the AG asserts that Duke Kentucky’s cost-benefit analysis failed to consider \$9.7 million of stranded costs stemming from the early retirement of existing meters. Failing to account for such costs, according to the AG, renders Duke Kentucky’s cost-benefit analysis flawed. The AG contends that the stranded costs amount to “a 20% premium over and above the \$49 million estimated

total cost of the Advanced Metering Infrastructure (“AMI”) deployment.”<sup>1</sup> Had these costs been considered, the AG argues that Duke Kentucky’s analysis would have shown that the proposed AMI system would not have been cost beneficial and that Duke Kentucky’s customers should not be burdened with such costs which are not necessary to maintain the reliability of Duke Kentucky’s distribution system. The AG contends that the instant application should be dismissed without prejudice unless Duke Kentucky addresses the stranded cost issue, pointing out that Duke Energy of Indiana, a Duke Kentucky affiliate, agreed not to seek recovery of stranded costs for the retirement of meters in a matter in Indiana involving AMI deployment.

The AG further contends that Duke Kentucky has failed to establish that the proposed AMI system is needed and that it would not result in wasteful duplication of existing systems. Lastly, the AG argues that Duke Kentucky’s proposal should be considered within a base rate proceeding so that the full rate impact of the proposal could be fully determined and evaluated.

Duke Kentucky filed a response objecting to the AG’s motion to dismiss and recommending that the motion be denied. Duke Kentucky asserts that there is no regulation or Commission directive that an application for a Certificate of Public Convenience and Necessity (“CPCN”) is required to be supported by a cost-benefit analysis and the AG is unable to cite to any law, rule, or regulation that supports such a claim. Although it was not required to do so, Duke Kentucky maintains it submitted a cost-benefit analysis to demonstrate the magnitude of the benefits expected to be produced by the AMI project and to support Duke Kentucky’s request for deferral related to the early retirement of the existing metering infrastructure as a result of the AMI

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<sup>1</sup> AG’s Motion to Dismiss at 2.

project. Duke Kentucky argues that its cost-benefit analysis is sound. Lastly, Duke Kentucky contends that the AG's allegations regarding meter retirement deferral costs are unsupported and irrelevant. Duke Kentucky argues that the AG mischaracterizes the \$9.7 million in undepreciated meter assets to be retired as a 20 percent premium over and above the \$49 million estimated total cost for the proposed AMI project. Duke Kentucky contends that there is no such premium and that the ratio of the remaining book value of the undepreciated meters to its estimated capital cost for the proposed AMI project is an unfounded metric and asserts that the AG offers no explanation for its relevance or perspective. Even assuming, *arguendo*, that the premium metric is relevant, Duke Kentucky contends that its retired meter asset value to deployment cost ratio is consistent with, and even less than, that of other electric utilities whose deployments and regulatory assets have been previously approved by the Commission.

#### DUKE KENTUCKY'S MOTION TO AMEND THE PROCEDURAL SCHEDULE

The existing procedural schedule, which was established by the Commission's Order of May 5, 2016, provides for, among other things, two rounds of discovery upon Duke Kentucky's application, an opportunity for the submittal of intervenor testimony, and one round of discovery upon intervenor. The AG is the only intervenor in this matter and timely filed his testimony on July 18, 2016. Discovery upon the AG's testimony is completed. In support of its motion, Duke Kentucky noted that the AG's testimony raised certain issues and concerns regarding Duke Kentucky's application. Duke Kentucky states that absent an amendment to the current procedural schedule to allow it an opportunity to file supplemental/rebuttal testimony, Duke Kentucky would be foreclosed from addressing and responding to the issues and concerns raised in the

AG's testimony. Duke Kentucky contends that submittal of additional testimony would further develop the record, which would in turn assist the Commission in its review of Duke Kentucky's application and which would also serve to expedite the yet-to-be scheduled evidentiary hearing. Lastly, Duke Kentucky requests that it be granted a reasonable time period of fifteen days from the date of the issuance of an Order granting the amendment to the procedural schedule to file its supplemental/rebuttal testimony.

### DISCUSSION

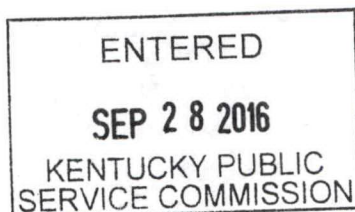
Having reviewed the pleadings and being otherwise sufficiently advised, the Commission finds that the AG's arguments in support of dismissal are based, in part, on the AG's testimony, which at this point in time has not been subject to cross-examination. In addition, the AG's arguments challenging the sufficiency of the cost-benefit analysis developed by Duke Kentucky in support of its CPCN application go to the weight of the evidence. The AG has presented no arguments to demonstrate that Duke Kentucky is not legally entitled to have its CPCN application reviewed and decided by the Commission. The Commission will, therefore, deny the AG's motion to dismiss.

With respect to Duke Kentucky's motion, the Commission finds that Duke Kentucky has established good cause to amend the existing procedural schedule to allow Duke Kentucky an opportunity to file supplemental/rebuttal testimony.

IT IS HEREBY ORDERED that:

1. The AG's motion to dismiss is denied.
2. Duke Kentucky's motion to amend the procedural schedule and for leave to file supplemental/rebuttal testimony is granted.
3. The current procedural schedule, as established by the Commission's Order of May 5, 2016, is amended to allow Duke Kentucky an opportunity to file its supplemental/rebuttal testimony no later than fifteen days from the date of this Order.
4. All provisions of the Commission's May 5, 2016 Order not in conflict with this Order shall remain in full force and effect.

By the Commission



ATTEST:

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