COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC., FOR: 1) AN ADJUSTMENT OF THE ELECTRIC RATES; 2) APPROVAL OF AN ENVIRONMENTAL COMPLIANCE PLAN AND SURCHARGE MECHANISM; 3) APPROVAL OF NEW TARIFFS; 4) APPROVAL OF ACCOUNTING PRACTICES TO ESTABLISH REGULATORY ASSETS AND LIABILITIES; AND 5) ALL OTHER REQUIRED APPROVALS AND RELIEF	)))))))))	CASE NO. 2017-00321

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. ("Duke Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium and an electronic version of its responses to the following information, with a copy to all parties of record. The information requested herein is due on or before November 13, 2017. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Duke Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Duke Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Application, Volume 1, Tab 27.

a. Explain whether the capital expenditures budget reflects both the electric and gas operations of Duke Kentucky. If the budget reflects electric and gas operations, resubmit the capital expenditures budget separating the electric and gas operations.

b. Provide a comparison of the three-year projected capital expenditures in Case No. 2006-00172[1] with the actual capital expenditures for those years.

2. Refer to the Application, Volume 1, Tab 28.

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[1] Case No. 2006-00172, *Application of the Union Light, Heat and Power Company d/b/a Duke Energy Kentucky for an Adjustment of Electric Rates* (Ky. PSC Dec. 21, 2006).

a. Explain whether the capital expenditures budget reflects both the electric and gas operations of Duke Kentucky. If the budget reflects electric and gas operations, resubmit the capital expenditures budget separating the electric and gas operations.

b. Provide a comparison of the three-year projected capital expenditures in Case No. 2006-00172 with the actual capital expenditures for those years.

3. Refer to the Application, Volume 1, Tab 29.

a. Refer to page 1 of 13.

(1) Explain the decrease in Electric Revenue from 2017 through 2019.

(2) Explain the large increase in Gas Revenue in 2019.

(3) Explain the large decrease in Other Revenue in 2018.

(4) Explain why Gas Purchased does not increase significantly in 2019.

(5) Explain why Operation and Maintenance expense decreases significantly in 2019.

(6) Explain the fluctuation in Other Income from 2017 through 2019.

b. Refer to page 3 of 13.

(1) Explain why there are no Dividends on common stock for 2017 through 2019.

(2) Provide the amount of Dividends on common stock for the five-year period ended December 31, 2016.

(3) Provide a comparison of the projected and actual Dividends on common stock in the three-year period for projected cash flows in Case No. 2006-00172.

c. Refer to page 5 of 13. Provide a comparison of the projected and actual kW Demand – Coincident Peak and kWh Sales for the three-year period for the Load Forecast in Case No. 2006-00172.

d. Refer to page 8 of 13.

(1) Explain why the number of employees does not decrease from 2017 through 2019 due to the deployment of its Advanced Metering Infrastructure ("AMI") project.

(2) Explain whether Duke Kentucky anticipates any changes in the number of its employees after the test year in 2019. If so, provide an estimate of the number of employees and the impact on cost for O&M and capital.

e. Refer to page 12 of 13.

(1) Identify and explain the basis of the Customer Forecast.

(2) Provide the three-year Customer Forecast conducted in Case No. 2006-00172. Provide also the actual number of customers for the three-year period used in Case No. 2006-00172 in the same format as set forth in Tab 29 of this Application.

4. Refer to the Application, Volume 9, Tab 42. Provide the following information for any of the Duke Energy Business Services ("DEBS") and other affiliated

entities' costs directly assigned or allocated to Duke Kentucky, as well as other requested information.

a. As reflected in the test-year level of expenses proposed by Duke Kentucky, provide the following as it relates to salaries either directly assigned or allocated to Duke Kentucky by another DEBS entity.

(1) By DEBS Department, the total salary amount along with the number of hours associated with the salary cost and associated incentive pay broken down by each incentive pay program, including any stock option plans in effect during any month of the test year.

(2) By any other Duke Energy Corporation ("Duke Energy") subsidiary, provide the name of the subsidiary and the department along with the total salary amount and associated incentive pay, including any stock option plans, along with the number of hours associated with the salary, incentive pay, and any stock option plans costs.

b. The DEBS Charge billed to Duke Kentucky for the 12 months ended November 2012 through November 2017.

c. The number of DEBS employees at November 2012 through November 2017.

d. Duke Kentucky's peak demand (date and time) for each 12-month period from November 2012 through November 2017.

e. Duke Kentucky's kWh sales (by customer class residential, commercial and industrial) for each 12-month period from November 2012 through November 2017.

f. The level of Duke Kentucky employees for each 12-month period from November 2012 through November 2017.

g. Clarification as to whether the costs are allocated based on the number of Duke Kentucky employees, Duke Kentucky kWh sales, or Duke Kentucky's peak demand. If so, identify each.

h. Clarification as to whether Duke Kentucky has made an adjustment to the test-year level of DEBS costs to reflect the most recent three-, five-, or ten-year trend in the number of employees, the kWh sales, and the Duke Kentucky's peak demand. If so, identify each adjustment.

i. If the answer to h. above is negative, explain why no test-year adjustment was made in Duke Kentucky's proposed test-year level of DEBS Service costs.

5. Refer to the Application, Volume 11, Tab 51; Duke Kentucky's responses to Staff's First Request for Information to Duke Kentucky ("Staff's First Request"), Item 66; and the Direct Testimony of Thomas Silinski ("Silinski Testimony") beginning at page 34 regarding employee benefit plans.

a. Provide the jurisdictional employee medical insurance adjustment assuming the following: Total Healthcare/Medical Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium. Continue to assume that the employee would pay 21 percent of the total cost for single coverage and 33 percent of the total cost for all other types of coverage, compared to the amount of healthcare/medical insurance expense incurred the test year.

b. Provide the jurisdictional dental insurance adjustment in the test year assuming employees would pay 60 percent of the total cost of coverage. Calculate the amount as follows: Total Dental Cost for Each Level of Coverage = Company Paid Portion of Premium + Employee Contribution to Premium.

c. Provide a schedule that identifies the jurisdictional cost for providing long-term disability insurance.

d. Provide a schedule that identifies the costs for providing group life insurance coverage for coverage over $50,000.

e. For employees who participate in a defined benefit plan, provide the total and jurisdictional amount of matching contributions made on behalf of employees who also participate in any 401(k) retirement savings account.

f. Provide the information requested in items a. through e. that are passed through from Duke Energy or other affiliated companies.

6. Refer to the Application, Volume 12, Schedule K, page 4 of 5.

a. Provide Duke Kentucky's monthly return on equity ("ROE") from 2016 through to-date 2017.

b. Explain why Duke Kentucky forecasts its ROE to decline 23.7 percent from 10.13 percent in 2016 to 8.21 percent in the base period ending November 30, 2017.

c. Explain why Duke Kentucky forecasts its ROE to decline 43.0 percent from 8.21 percent in the base period to 5.74 percent in the forecasted test period ending March 31, 2018.

7. Refer to Duke Kentucky's current tariff on file with the Commission and to the Application, Volume 13, Schedule L-1. Confirm that the Appliance Recycling Program should no longer be included in Duke Kentucky's tariff.

8. Refer to the Application, Volume 13, Schedule L-1, pages 2–4 of 148.

a. Explain why the following schedules included in the index are not included in the proposed tariff: Rider DSM, Demand Side Management Cost Recovery Program; Rider PLM, Peak Load Management Program; Rider DSMR, Demand Side Management Rate; Residential Comprehensive Energy Education Program (NEED); Residential Smart Saver; Residential Conservation and Energy Education; Residential Direct Load Control – Power Manager Program; Residential Home Energy House Cell; Energy Star Products; CI High Efficiency Incentive; Energy Efficiency Website; Personalized Energy Report; Smart Saver Custom Program; and Payment Plus.

b. Explain why numerous effective dates listed on the check sheet do not correspond to the effective dates listed on the proposed individual schedules.

9. Refer to the Application, Volume 13, Schedule L-1, page 15 of 148 regarding paragraph "7. Availability of Budget Billing and Fixed Bill."

a. Provide the provisions of the Budget Billing Plan.

b. 807 KAR 5:006, Section 14(2)(a)(3), requires that that provisions of a budget payment plan be included in the utility's tariff. Explain whether Duke Kentucky believes paragraph "7. Availability of Budget Billing and Fixed Bill" complies with this regulation.

c. Indicate whether Duke Kentucky would be willing to include the provisions of its budget payment plan in its tariff.

d. Also, refer to the Direct Testimony of Alexander "Sasha" J. Weintraub, Ph.D. ("Weintraub Testimony"), page 12, lines 5–10. The Weintraub Testimony indicates that the Fixed Bill program is described in Duke Kentucky's billing tariff. The provisions of the Fixed Bill program do not appear to be included in the proposed tariff, other than a brief mention of the program's name. Indicate whether Duke Kentucky would be willing to include the provisions of the Fixed Bill program in its tariff.

10. Refer to the Application, Volume 13, Schedule L-1, page 82 of 148. State the number of customers, if any, who have notified Duke Kentucky that they wish to opt-out of receiving an advanced meter.

11. Refer to the Application, Volume 13, Schedule L-1, page 84 of 148, which defines "Monthly Kentucky Retail Revenue R(m)" as "the average monthly revenue, excluding all rider revenues, for the last 12 month period." Refer also to the Application, Volume 15, Attachment SEL-2, page 10 of 10, which shows Duke Kentucky's proposed calculation of R(m).

a. Confirm that the proposed tariff language does not provide for the separation of residential and non-residential customers.

b. Confirm that the proposed tariff language does not provide for the exclusion of fuel revenues from the non-residential R(m).

c. Explain whether the proposed tariff language "all rider revenues" is intended to mean "all Rider ESM revenues."

d. Confirm that only environmental surcharge revenues are excluded from the residential R(m) and that environmental surcharge revenues and fuel revenues are excluded from the non-residential R(m).

12. Refer to the Application, Volume 13, Schedule L-1, page 89 of 148.

a. For factor NF, explain the types of charges and credits Duke Kentucky expects to include in this factor.

b. For factor CAP, explain whether Duke Kentucky intends to include capacity performance penalties from PJM Interconnection, LLC ("PJM") when Duke Kentucky's units are assessed for non-performance during a capacity emergency event as declared by PJM.

c. If the answer to part b. above is that Duke Kentucky does intend to include capacity performance penalties, explain whether it is reasonable that Duke Kentucky's customers bear 90 percent of the risk of the penalties and that shareholders bear only 10 percent of the risk.

d. For factors NF and CAP, explain whether Duke Kentucky anticipates these factors would primarily be credits to customers or charges from customers.

13. Refer to the Direct Testimony of James P. Henning ("Henning Testimony"), pages 8–9.

a. Explain how Duke Kentucky funds its economic development activities.

b. Regarding the "Site Readiness" program that is administered by Duke Energy:

(1) Explain in detail Duke Kentucky's role in this program, how a local community would be eligible to receive funding through this program, and the source of the funds provided by Duke Energy to an eligible local community.

(2) Within the last ten years, has any local community located in Duke Kentucky's service area been a recipient of funds through the Site Readiness program? If so, provide details on when the funding occurred, the identity of the local community, the amount of funding, and the type of economic development involved.

c. Throughout this proceeding, provide updates on any new or expanded economic development projects that Duke Kentucky is promoting in conjunction with its economic development organizations listed on page 9.

14. Refer to the Henning Testimony, page 16. Provide the annual inflation rates for the years 2006–2016 and the monthly inflation rates for 2017 to date.

15. Refer to the Henning Testimony, page 24. Duke Kentucky is proposing one program, Targeted Underground, to be recovered through the proposed Distribution Capital Investment Rider ("Rider DCI"). Provide other programs that Duke Kentucky is considering to be included for recovery via Rider DCI in the future and their estimated costs.

16. Refer to the Henning Testimony, page 26. Provide costs that Duke Kentucky has incurred to date for short-term capacity purchases necessary to meet its Fixed Resource Requirement ("FRR") plan obligations.

17. Refer to the Henning Testimony, page 29. Provide a detailed list that comprises the $600 million in utility plant investment since the 2006 rate case.

18. Refer to the Henning Testimony, page 35, lines 5–11. Provide the annual amount of vegetation management expense for the five years ending in 2016, the base period, and the test year.

19. Refer to the Henning Testimony, page 35, lines 15–20.

a. Provide the cost for meter reading, customer-service calls and call center operations for 2015, 2016, 2017 year-to-date, the base period, and the test period.

b. Provide the cost savings Duke Kentucky has incurred from meter reading, customer-service calls, and call center operations since it began deploying AMI technology. Consider this an ongoing request throughout this proceeding.

c. Provide the amount of cost savings from meter reading, customer-service calls, and call center operations reflected in the base period and test period.

d. Provide the amount of annual incremental cost savings from meter reading, customer-service calls, and call center operations after the test period based upon full deployment of the AMI technology.

20. Refer to the Direct Testimony of Lisa M. Bellucci ("Bellucci Testimony"), page 4. Provide the calculation of the combined federal and state statutory income tax rate of 38.47 percent.

21. Refer to the Bellucci Testimony, page 5.

a. Provide a copy of Duke Kentucky's 2016 (12/31/2015) and 2017 Public Service Company Property Tax Assessment from the Kentucky Department of Revenue.

b. Provide a copy of Duke Kentucky's 2016 and 2017 Ohio real and personal property tax assessment when they become available.

c. Provide the actual property tax paid in Kentucky and Ohio for the most recent year that information is available.

d. Provide an electronic copy of the calculation of the property tax for the base period and test year in Excel spreadsheet format with all formulas intact.

22. Refer to the Direct Testimony of David L. Doss, Jr. ("Doss Testimony"), page 5, regarding the proposed regulatory deferrals.

a. Explain Duke Kentucky's position regarding risk shifting from Duke Kentucky to its customers.

b. Is Duke Kentucky aware of any other Kentucky electric utility that uses regulatory deferrals for O&M expenses related to planned generation maintenance outages? If so, identify the utility.

c. Is Duke Kentucky aware of any other Kentucky electric utility that uses a regulatory deferral for replacement power expenses related to forced outages? If so, identify the utility.

23. Refer to the Doss Testimony, page 5, lines 13–14, and the Direct Testimony of Robert H. "Beau" Pratt ("Pratt Testimony"), page 21, lines 4–6.

a. Explain the discrepancy in the testimony of the witnesses listed above as to the timeframe utilized for developing outage and production maintenance expenses in the test year.

b. Provide the actual fiscal/calendar years used to determine the "average" outage and production maintenance expenses.

c. Refer to the Pratt Testimony, page 21. What was the amount of production maintenance expense included in the forecast and why was it understated?

d. Confirm there are no outage and production maintenance expenses related to Miami Fort Unit 6 included in the years utilized for the proposed amount of the outage/production maintenance expense.

e. Provide the forecasted outage/production maintenance expense by account number for the six years included in the Application and for each year through March 2025.

f. Provide a history of the date and cost of generator overhauls by account number for each unit by year since 2006.

g. Provide a schedule showing the date and cost of future generator overhauls by account number by year through 2025.

h. Provide a history of the date and cost of turbine overhauls by account number for each unit by year since 2006.

i. Provide a schedule showing the date and cost of future turbine overhauls by account number by year through 2025.

24. Refer to the Doss Testimony, page 7. Provide any FERC guidance or accounting principles that support inclusion of carrying charges in regulatory assets.

25. Refer to the Direct Testimony of Tammy Jett ("Jett Testimony"), page 6.

a. Explain whether Duke Kentucky maintains an inventory of emission allowances on its books. If so, provide the account number and the current balance broken down by type of allowance.

b. Provide the current per unit cost of allowances in inventory by type of emission allowance and the current market prices of those same allowances.

26. Refer to the Jett Testimony, page 16. Provide the estimated cost of each project that Duke Kentucky is proposing to include in its environmental compliance plan. Also, provide a description of the reagent inventories to be included in the proposed compliance plan.

27. Refer to the Direct Testimony of Sarah E. Lawler Testimony ("Lawler Testimony"), page 13.

a. Explain how Duke Kentucky determined the ten-year amortization period for the regulatory assets associated with the incremental operations and maintenance expenses at the East Bend Generating Station ("East Bend"), the incremental retirement costs associated with the retirement of Miami Fort Unit 6 Generation Station, the carrying costs on the unrecovered balance based upon Duke Kentucky's actual cost of debt, and any other incremental costs related to the assumed liabilities or otherwise necessary to effectuate the purchase of East Bend .

b. Explain why it would not be appropriate to amortize the regulatory assets over the remaining life of East Bend.

28. Refer to the Lawler Testimony beginning on page 17. Provide the overall financial impact of the proposed changes to Duke Kentucky's Profit Sharing Mechanism, Rider PSM, based on the 2016 actual results, for 2016, 2017 to date, the base period, and the test period.

29. Refer to the Lawler Testimony, Attachment SEL-2, page 3 of 10.

a. Explain whether Duke Kentucky is proposing to update this form with each monthly filing, during the six-month and two-year reviews of its environmental surcharge mechanism, or with base rate changes.

b. Explain why Duke Kentucky is excluding "uncollectible accounts expense and KPSC maintenance tax factors" from the gross revenue conversion factor.

30. Refer to the Lawler Testimony, Attachment SEL-2, page 4 of 10; the Application, Volume 13, Tab L, Schedule L-1, page 83 of 148; and the Direct Testimony

of Tammy Jett at page 17, which explains that Duke Kentucky "is seeking authorization to include consumables inventories such as reagents and emission allowances" in its environmental surcharge. Confirm that reagent inventories are not included in the proposed calculation of environmental rate base.

31. Refer to the Lawler Testimony, Attachment SEL-2, page 4 of 10 and the Application, Volume 13, Tab L, Schedule L-1, page 84 of 148.

a. Confirm that the proposed tariff language indicates that the over- or under-recovery is a "one-month 'true-up' adjustment" but the proposed environmental surcharge report form calculates the over- or under-recovery based on the authorized revenue requirement from two months prior.

b. State whether Duke Kentucky is proposing a one-month or two-month "true-up" adjustment for its over- or under-recovery.

32. Refer to the Direct Testimony of Jeffrey T. Kopp, Decommissioning Study, page 7 of 30. Did the Decommissioning Study include the assets related to the proposed ultra-low sulfur diesel distillate fuel oil project at the Woodsdale Generating Station ("Woodsdale")?

33. Refer to the Direct Testimony of Cynthia S. Lee ("Lee Testimony"), pages 9–12.

a. Explain how the ten-year amortization period for the Asset Retirement Obligation ("ARO") associated with the ash pond closure was determined.

b. Refer to the Lee Testimony, page 8, where it states that the estimated remaining life of East Bend is approximately 23.5 years. Explain why the ARO should not be amortized over the estimated remaining life of East Bend.

34. Refer to the Lee Testimony, page 11, lines 10–14 and the Lawler Testimony, Attachment SEL-2, pages 9 and 10.

a. Confirm that Duke Kentucky is proposing to recover estimated and previously incurred costs through its environmental surcharge.

b. Explain how recovery of the East Bend Coal Ash ARO through the environmental surcharge complies with the requirement of KRS 278.183(2) that costs recovered through the environmental surcharge be included on customer bills "in the second month following the month in which the costs are incurred."

35. Refer to the Lee Testimony, page 12, lines 13–18 and Attachment CSL-1. Provide the capitalized interest rates used to calculate the carrying costs shown on Attachment CSL-1. Also, provide the calculation of the carrying costs shown on Attachment CSL-1.

36. Refer to the Direct Testimony of Joseph A. Miller, Jr., page 6. Explain whether Duke Kentucky receives a fee for waste received from other Kentucky electric utilities and Ohio-based electric generators. If confirmed, explain whether these revenues are included in Duke Kentucky's income for the base and forecasted test years.

37. Refer to the Direct Testimony of Roger A. Morin, Ph.D. ("Morin Testimony"), pages 6–7. Duke Kentucky has proposed several riders that tend to lower Duke Kentucky's exposure to volatility and risk. Explain whether Duke Kentucky's proposed range for ROE is still recommended and an essential requirement if these riders are approved.

38. Refer to the Morin Testimony, page 21. Provide any work papers or studies that support that multiplying the spot dividend yield by one plus one half the expected growth rate (1 + 0.5g) understates the return expected by the investor.

39. Refer to the Morin Testimony, pages 24-–5. Provide any work papers or studies that support the idea that utilities will lower their dividend payout ratios over the next several years.

40. Refer to the Morin Testimony, page 32. The Capital Asset Pricing Model ("CAPM") inputs the forecasted interest rate on long-term U.S. Treasury bonds.

a. Explain why the risk-free rate for the CAPM is the forecasted interest on long-term U.S. Treasury bonds and not the current interest rate on long-term bonds.

b. Provide Duke Kentucky's position regarding investor's views of interest rate forecasts, especially given that most interest rate forecasts are known to have been incorrect.

41. Refer to the Morin Testimony, page 58 and Exhibit RAM-3.

a. Explain whether all combination electric and gas utilities used in the ROE analysis have any cost-recovery mechanism (referred to as a risk mitigator) similar to the proposed FERC Transmission Cost Reconciliation and Distribution Capital Rider.

b. If the response to a. above is negative, explain whether Duke Kentucky believes the list should be revised to include only those that do have such mechanisms

c. According to the July 28, 2017 publication of The Value Line Investment Survey ("Value Line"), Issue 11, Avista Corporation has accepted a takeover offer and expects the deal to be completed in the second half of 2018. Many analysts exclude utilities from the proxy group that have ongoing involvement in a merger or acquisition. Explain why Avista Corporation was included in the proxy group.

d. According to the August 18, 2017 publication of Value Line, Issue 1, Eversource Energy has agreed to acquire a water utility. Many analysts exclude utilities from the proxy group that have ongoing involvement in a merger or acquisition. Explain why Eversource Energy was included in the proxy group.

e. Provide the most recently authorized ROE awards and the date of this award for Duke Kentucky's proxy group.

42. Refer to the Morin Testimony, page 65. Dr. Morin addresses Duke Kentucky's size, stating that its size relative to other electric utilities increases investment risk.

a. Confirm that even though Duke Kentucky is relatively smaller in size, it realizes efficiencies and economies of scale through its Duke Energy family of companies.

b. If a. above is confirmed, explain whether these efficiencies and economies of scale reduce the risk exposure of Duke Kentucky.

43. Refer to the Morin Testimony. Provide all Exhibits in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible.

44. Refer to the Direct Testimony of Benjamin Walter Bohdan Passty, Ph.D. ("Passty Testimony"), page 3. Duke Kentucky states that the forecast methodology is essentially the same as that presented in past Integrated Resource Plans. Confirm that

the forecast methodology used in this application is essentially the same as the forecast methodology utilized in Case No. 2014-00273.[2]

45. Refer to the Passty Testimony, page 4, and Attachment BWP-1.

a. What does Moody Analytics' forecast for the change in the population in Duke Kentucky service territory through the end of 2037?

b. What impact would the forecast have on the number of residential customers in Duke Kentucky's service territory?

46. Refer to the Passty Testimony at page 8, lines 12–13. Explain why the load forecast does not reflect those projected energy-efficiency impacts.

47. Refer to the Passty Testimony, page 11.

a. Explain whether Duke Kentucky analyzed the impact of periods other than 30 years to calculate the Normal Weather in its electric forecast. If so, provide this impact. If not, explain why no other weather periods were considered.

b. Have any of Duke Kentucky's affiliates used periods other than 30 years for weather normalization? If so, provide a summary of those instances as well as the Orders approving them.

48. Refer to the Passty Testimony, page 18.

a. Provide the monthly energy-efficiency impacts to Duke Kentucky's load forecast.

b. Provide the amount of the energy efficiency impact from the "roll-off" schedule that accounts for codes and standards that naturally reduce energy usage over time.

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[2] Case No. 2014-00273, *2014 Integrated Resource Plan of Duke Energy Kentucky, Inc.*, (Ky. PSC Sept. 23, 2015).

49. Refer to the Passty Testimony, Attachment BWP-1. Provide a comparison of Duke Kentucky's service area energy forecast with the service area energy forecast from Duke Kentucky's most recent IRP filing, Case No. 2014-00273.

50. Refer to the Passty Testimony, Attachment BWP-2. Provide a comparison of Duke Kentucky's system seasonal peak load forecast with the seasonal peak load forecast from Duke Kentucky's most recent IRP filing.

51. Refer to the Direct Testimony of Anthony J. Platz ("Platz Testimony"), page 5, which indicates that Duke Kentucky's electric delivery system is forecasted to grow 13.7 percent from $426,635,808 to $485,008,652. Refer also the Passty Testimony, page 10, which shows that Duke Kentucky's projected load growth is 0.04 percent between 2017 and 2022, and the projected rate of growth in peak demand is negligible. Explain why Duke Kentucky's electric delivery system is forecasted to continue to grow while experiencing very low load growth.

52. Refer to the Platz Testimony, page 9. What are the anticipated cost savings through March 2022 with respect to the Distribution Outage Management System functions as a result of the AMI deployment?

53. Refer to the Platz Testimony, page 15.

a. Provide an explanation for the increase in transmission capital expenditures from 2016 to 2017.

b. Provide an explanation for the increase in distribution capital expenditures from 2016 to 2017, and from 2017 to 2018.

54. Refer to the Platz Testimony, page 19. Provide the additional reliability regulations that Duke Kentucky believes could impose additional compliance costs.

55. Refer to the Platz Testimony, page 25. State whether there are any other Kentucky jurisdictional electric utilities that have a Commission-authorized program similar to Duke Kentucky's proposed Rider DCI.

56. Refer to the Platz Testimony, pages 36–37 and the Application, Volume 1, Tabs 23 and 28.

a. Explain whether the amounts shown for projected capital spending on Tab 28 should agree with the line item on Tab 23 titled Normal Recurring Construction.

b. If the response to a. above is negative, explain why and describe in detail what is meant by Normal Recurring Construction.

57. Refer to the Pratt Testimony, 3. Provide a comparison of the 2017 original and amended budget and explain any differences.

58. Refer to the Pratt Testimony at page 4.

a. Provide the income statement for each of the six-month actual and the six-month projected periods included in the base year.

b. Provide the actual income statement for each of the six-month periods in the year ending November 2016.

c. Describe any difference in the budgeting and forecasting process used in the instant case to those used in Duke Kentucky's prior rate case, Case No. 2006-00172.

59. Refer to the Pratt Testimony, page 8, lines 21–23 and page 9, lines 1–7. Also, refer to the Direct Testimony of John J. Spanos ("Spanos Testimony"), page 2, lines 10–14, page 16, and the 2016 Depreciation Study, Part 1, page 9 of 346. Finally, refer to the Lee Testimony, pages 14 and 15.

a. Confirm that the depreciation rate(s) utilized in the test year for Woodsdale has been recomputed in the 2016 Depreciation Study and is reflected as such in the test-year revenue requirement.

b. For East Bend and Woodsdale, provide the depreciation rate and depreciation expense by unit in the format (by account number) listed on page 55 of 346 of the Spanos Testimony for calendar year 2016, the base period, and test year.

c. Refer to the Spanos Testimony at page 16. What is the remaining life of the surviving assets at Miami Fort Unit 6?

d. Explain further what is meant by the following statement on page 9 of the Depreciation Study: "In order to achieve a more stable accrual for general and common plant accounts in the future, I have recommended a five-year amortization to adjust unrecovered reserve."

e. Identify by account number and name the accounts referenced in the statement listed in item d. above.

f. Provide the capacity factors for each unit at Woodsdale for the ten years ending in 2016.

g. What consideration was given to the capacity factors in the Depreciation Study?

h. When will East Bend be fully depreciated?

i. Does the test period contain depreciation for East Bend?[3] If so, provide the amount and an explanation of how it determined.

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[3] Case No. 2015-00120, *Application of Duke Energy Kentucky, Inc. for an Order Approving the Establishment of a Regulatory Asset for the Depreciation Expense of the East Bend Unit 2 Generating Station* (Ky. PSC Aug. 20, 2015).

60. Refer to the Pratt Testimony, page 10. Also, refer to the Silinski Testimony, page 15.

a. The Pratt Testimony states that the non-union labor increase was 3.5 percent, whereas the Silinski Testimony states the 2017 merit budget increase was 3.0 percent. Explain the discrepancy in the non-union labor cost increases.

b. Provide the wage increase in the six-month actual period and the six-month projected periods in the base period.

c. State what the wage increase(s) and timeframe(s) for non-union employees are for the test period.

61. Refer to the Pratt Testimony, page 11, regarding property tax expense and Schedule D-2.14. Provide a breakdown of the State and Other Taxes for the base period and test period.

62. Refer to the Direct Testimony of Bruce L. Sailers, ("Sailers Testimony"), page 9, which states, "Duke Energy Kentucky's proposed rates in this case make reasonable movement toward reflecting the cost of service developed and sponsored by Mr. Ziolkowski." Explain whether Mr. Sailers finds a 149 percent increase in the residential customer charge makes a reasonable movement toward reflecting the cost of service, and whether the increase comports with the Commission's position with regard to gradualism.

63. Refer to the Sailers Testimony, page 11.

a. Provide a similar analysis to the average monthly bill under current and proposed rates for low-income and non-low-income customers.

b. Explain how Duke Kentucky identifies which of its customers are considered low-income customers for the purpose of calculating average annual usage.

64. Refer to the Sailers Testimony, page 13. Provide work papers and documentation supporting the proposed new LED street lighting tariff.

65. Refer to the Sailers Testimony, page 16. Explain why Duke Kentucky is proposing to use a two-year average of PJM LMP prices for cogeneration facilities of 100 kW or less, and the PJM real-time price from cogeneration facilities of over 100 kW.

66. Refer to the Sailers Testimony, Attachment BLS-1.

a. Provide this table with the results from the Average and Excess Cost of Service Study ("COSS") results.

b. Provide this table with the results from the Summer/Non Summer COSS results.

67. Refer to the Sailers Testimony, Attachment BLS-5.

a. Explain why it is reasonable to include Fleet costs in the calculation of the Remote Reconnection (AMI) charge.

b. Explain why it is reasonable to include Site Supervision: Engineering and Setup in the calculation of the Remote Reconnection (AMI) charge.

c. Explain how the $33.27 amount shown for Base Labor was calculated.

d. Explain why Unproductive labor should be included in any of the charges shown.

e. Explain why Site Supervision and Setup are included in the charges for any reconnection made by a single person crew.

68. Refer to the Silinski Testimony, page 4. Provide the annual rate of turnover or retention rate for years 2012–2016.

69. Refer to the Silinski Testimony beginning at page 18 and Duke Kentucky's response to Staff's First Request, Item 66. Provide the following information:

a. The amount of incentive pay by each incentive pay program based upon earnings per share for Duke Kentucky for the test period.

b. The amount of incentive pay allocated to Duke Kentucky by incentive pay program based upon earnings per share for its affiliated companies for the test period.

70. Refer to the Direct Testimony of John L. Sullivan, III ("Sullivan Testimony"), pages 11–12.

a. Provide Bloomberg's Implied forward curve for the one-month London Interbank Offered Rate ("LIBOR") as of July 2017 and the most current.

b. Explain why a 75-basis-point credit spread was added to the LIBOR rate for the base and forecast period short-term interest rate.

c. Explain why a 25-basis-point credit spread was added to the LIBOR rate for the base and forecast period long-term interest rate.

71. Refer to the Sullivan Testimony, page 12. Explain whether there has been any change in the estimated interest rate for the October 2018 long-term debt issuance of $70 million.

72. Refer to the Sullivan Testimony, page 13. Provide an itemized list of what is included in the $505 million projected capital expenditures.

73. Refer to the Direct Testimony of John D. Swez ("Swez Testimony"), pages 19–20. Provide the effect on the FAC of the proposed billing line items for October 2016 – September 2017 and the filed FAC.

74. Refer to the Swez Testimony, page 26.

a. Quantify and explain in detail what the proposed changes to Rider PSM will have on any revenue or expense in comparison to the existing Rider PSM.

b. Identify and explain what impacts Duke Kentucky's proposed Federal Energy Regulatory Commission Transmission Cost Reconciliation Rider will have on Rider PSM.

c. Explain Duke Kentucky's position regarding the proposed Rider FTR and the transfer of risk from the company's shareholders to its customers.

75. Refer to the Direct Testimony of John A. Verderame ("Verderame Testimony"), page 5.

a. Provide the Duke Energy Kentucky PJM load forecast.

b. Explain any differences between this forecast and the internal load forecast used in the instant case.

76. Refer to the Verderame Testimony, page 13.

a. Describe in detail the differences in the capacity values listed for locational delivery areas, general clearing price, and the Duke Energy Ohio Kentucky total clearing price.

b. Describe in detail the major factors considered in determining whether to operate in PJM under the Reliability Pricing Model ("RPM") construct or the FRR construct.

c. Describe in detail the impact of the Capacity Performance construct will have on Duke Kentucky in determining whether to operate in PJM under the RPM construct or the FRR construct when fully implemented in the 2020/2021 Delivery Year.

d. Identify and describe any limitations in PJM on Duke Kentucky for changing its participation from the FRR construct to the RPM construct.

77. Refer to the Verderame Testimony, page 22, lines 15–17. Also, refer to Case No. 2017-00186,[4] Exhibit 5, page 16 of 106.

a. Subject to Commission approval, confirm that all six units at Woodsdale are scheduled to have their construction completed by April 15, 2019, and be in service by April 30, 2019.

b. Provide the amount by account the amount of operations and maintenance expense at Woodsdale for 2016, the base period, and the PJM 2019/2020 Delivery Year.

78. Refer to the Direct Testimony of William Don Wathen, Jr. ("Wathen Testimony"), page 9. Explain how Duke Kentucky intends to recover cost from the advanced metering infrastructure for its gas meters.

79. Refer to the Wathen Testimony, pages 14–16. Recalculate the Rider PSM for 2015, 2016, and to date for 2017 incorporating the changes proposed in the instant matter by Duke Kentucky. Provide the actual Rider PSM calculations for 2015, 2016, and to date 2017.

80. Refer to the Wathen Testimony, pages 18–19.

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[4] Case No. 2017-00186, *The Application for Duke Energy Kentucky, Inc., for a Certificate of Public Convenience and Necessity for Construction of a Number 2 Distillate Fuel Oil System at the Company's Woodsdale Natural Gas-Fired Generating Station* (filed June 1, 2017).

a. Provide the actual network integration transmission service and Regional Transmission Expansion Plan costs included in the 12 months prior to the base period, the base period, and the forecasted test year.

b. Provide the amounts recovered through base rates for the 12 months prior to the base period, the base period, and the forecasted test year.

81. Refer to the Wathen Testimony, page 21.

a. What were the amounts paid in 2016 for MISO Transmission Expansion Plan ("MTEP") costs in 2016?

b. Explain whether there is an adjustment to the base period or test period for MTEP costs.

82. Refer to the Wathen Testimony, page 34. Explain how Duke Kentucky arrived at a ten-year amortization period for the East Bend O&M deferral.

83. Refer to the Spanos Testimony, Attachment JJS-1 ("2016 Depreciation Study").

a. Provide a schedule comparing by account the survivor curves, cost of removal percent, salvage value percent, net salvage percent, annual accrual rate, and the composite remaining life for the current depreciation rates with the same information for the proposed depreciation rates shown on pages 55 through 57 of the 2016 Depreciation Study.

b. Refer to page 55 of the 2016 Depreciation Study. Under the heading Common Plant for the current and proposed rates, there is a listing for Erlanger Operations Center.

(1) Explain the large deviation in the current and the proposed depreciation rate for the Erlanger Operations Center.

(2) Provide a schedule of the assets contained in the original cost for the Erlanger Operations Center for the 2005 and 2016 Depreciation Studies.

(3) Are any of the assets at the Erlanger Operations Center leased? If so, through what type of lease?

c. For any net salvage percentages show on pages 55 through 57 of the 2016 Depreciation Study that are not supported by the analysis shown on pages 212 through 262, explain how the net salvage percentage was determined. Include copies of any other studies or analyses used in this determination

84. Refer to the Ziolkowski Testimony. Explain any fundamental differences between the filed COSS and the COSS from Duke Kentucky's last rate case, Case No. 2006-00172.

85. Refer to the Ziolkowski Testimony, page 3. The Commission recommended in Case No. 91-370[5] that Duke Kentucky's predecessor in interest, Union Light, Heat and Power Company, should separate distribution plant into primary and secondary components.

a. Provide the primary and secondary line weights from Duke Kentucky's last rate case, Case No. 2006-00172.

b. Refer to the Application, Volume 10, Tab 43, Cost of Service Workpapers, page 7. Provide an explanation if any of the class weights for primary and

[5] Case No. 91-370, *Application of the Union Light, Heat and Power Company to Adjust Electric Rates* (Ky. PSC May 5, 1992).

secondary lines are 3 percent greater or 3 percent less than the weights presented above in Item 86.a.

86. Refer to the Ziolkowski Testimony, page 5. Provide the COSS for the Average and Excess and Summer/Non Summer studies.

87. Refer to the Application, Volume 10, Tab 53, Cost of Service Workpapers.

a. Refer to page 1. Explain why Duke Kentucky believes a 10 percent decrease of the class subsidization is appropriate.

b. Refer to page 5. Explain the weighted cost factors for the meter.

c. Refer to page 8. Provide an explanation for the weighting factors in column (4).

88. Refer to Duke Kentucky's response to Staff's First Request, Item 29, Attachment Staff-DR-01-029__-_COSS.xlsx.

a. The following tabs contain #REF! errors. Correct and provide an update to this Excel workbook:

(1) FR-16(7)(v)-15 RES Classified

(2) FR-16(7)(v)-16 DS Classified

(3) FR-16(7)(v)-17 GSFL Classified

(4) FR-16(7)(v)-18 EH Classified

(5) FR-16(7)(v)-19 SP Classified

(6) FR-16(7)(v)-20 DTS Classified

(7) FR-16(7)(v)-21 DTP Classified

(8) FR-16(7)(v)-22 DP Classified

(9) FR-16(7)(v)-23 TT Classified

(10) FR-16(7)(v)-24 LT Classified

(11) FR-16(7)(v)-25 OTH Classified

b. Refer to tab FR-16(7)(v)-1 Functional, line no. 20, Total Electric Cost of Service, Production of $263,438,138. Also refer to tab FR-16(7)(v)-2 PROD Classified, line 20, Total Electric Cost of Service, Total Production of $263,447,907. Reconcile this difference.

89. Refer to Duke Kentucky's response to Staff's First Request, Item 37, regarding executive salaries and other compensation.

a. Provide the account numbers to which the executives and/or officers' salaries and other compensation were charged.

b. Provide an explanation of the amount and percentage of each of these employees' salaries and associated expenses, which were recorded below the line for ratemaking purposes, along with how the methodology for doing so was determined.

90. Refer to Duke Kentucky's response to Staff's First Request, Item 33. For the test year, provide the following information at it relates to lobbying activities:

a. The names of each of Duke Kentucky's Kentucky-registered lobbyists.

b. For each of the registered lobbyists, the dollar amount and percentage of the lobbyist's salary, fringe benefits, any incentive pay, and expense reports recorded below the line and any lobbying activities costs reflected in Duke Kentucky's proposed cost of service.

c. The dollar amount of any lobbying activity allocated to Duke Kentucky from Duke Energy or any of its subsidiaries, along with a statement in which these costs are recorded and account numbers where these costs are recorded (above or below the line).

91. Refer to Duke Kentucky's response to Staff's First Request, Item 50, regarding professional service expense. State whether any expenses for professional services were excluded from the revenue requirement in this proceeding.

92. Explain whether Duke Kentucky is considering implementing a prepay program.

Gwen R. Pinson

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DATED OCT 2 6 2017

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