

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR AUTHORITY TO 1) ADJUST)	CASE NO.
NATURAL GAS RATES 2) APPROVAL OF A)	2018-00261
DECOUPLING MECHANISM 3) APPROVAL OF)	
NEW TARIFFS 4) AND FOR ALL OTHER)	
REQUIRED APPROVALS, WAIVERS, AND RELIEF)	

COMMISSION STAFF'S THIRD 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 in paper medium and an electronic version of the following information. The information requested herein is due on or before November 21, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked. Duke Kentucky's responses to Commission Staff's Second Request for Information (Staff's Second Request) were not appropriately bookmarked; therefore, Duke Kentucky needs to ensure that responses to the pending requests are individually bookmarked. Further, 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 applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. 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 Duke Kentucky's response to Commission Staff's First Request for Information, Item 71.

- a. The spreadsheet provided in the response has a circular reference on sheets SCH_D2.19 at AU192 and SCH_E1 at Q26. Provide a revised Excel spreadsheet that contains no circular reference errors.

b. Recalculate the information contained in the spreadsheet concerning the forecasted period to reflect the change that would be recorded for unprotected Excess Deferred Income Taxes pursuant to the Final Order in Case No. 2018-00036.¹

2. Refer to Duke Kentucky's response to Staff's Second Request, Item 5.e. Also, refer to Duke Kentucky's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 91. Explain in detail why Duke Kentucky provided different responses to the same question.

3. Refer to Duke Kentucky's response to Staff's Second Request, Item 9.g.

a. Explain the large increase in Maintenance Expense for Mains.

b. Explain the credit balance in the base period for Maintenance Expense – Other.

4. Refer to Duke Kentucky's response to Staff's Second Request, Item 13.

a. Explain how Duke Kentucky handles true-ups with the Budget Billing Program.

b. Provide whether Duke Kentucky enters into installment agreements with customers that have longer than a 3-month duration.

c. Explain in detail what Duke Kentucky means when it states that it "[m]ust give a customer a 'reasonable' amount of time on the agreement."

d. Provide the monetary credit amount that is provided to customers under the Power Manager Program.

e. Provide the number of customers that are signed up to receive high bill alert emails.

¹ Case No. 2018-00036, *In the Matter of Kentucky Industrial Utility Customer's Inc. v. Duke Energy Kentucky, Inc.* (Ky. PSC Oct. 31, 2018).

5. Refer to Duke Kentucky's response to Staff's Second Request, Item 14.
 - a. Explain what the payment option IVR stands for in the response.
 - b. In Amy Spiller's Direct Testimony, page 11, she stated that customers also have access to a convenient bill payment option called Payment Advantage, but it was not included in the above-referenced response. Explain in full detail what Payment Advantage entails.
 - c. Provide Duke Kentucky's office locations where the customers can pay their bill in person.
6. Refer to Duke Kentucky's response to Staff's Second Request, Item 15.
 - a. Provide the provisions of the Adjusted Due Date Program.
 - b. Indicate whether Duke Kentucky would be willing to include the provisions of its Adjusted Due Date Program in its tariff. If so, provide revised tariff sheets reflecting this program. If not, explain why not.
7. Refer to Duke Kentucky's response to Staff's Second Request, Item 16. Explain whether there are any other monetary benefits from the Advanced Metering Infrastructure Project (AMI Project) that should be included in the present case, or future rate cases, other than the costs for meter reading.
8. Refer to Duke Kentucky's response to Staff's Second Request, Item 17. Confirm that, in the pending case, Duke Kentucky is not requesting the investment amount for the Customer Information System to be included in rates.
9. Refer to Duke Kentucky's response to Staff's Second Request, Item 19. Provide a list of other Kentucky regulated natural gas companies that utilize a return-on-rate-base approach, as opposed to capitalization.

10. Refer to Duke Kentucky's response to Staff's Second Request, Item 23.
 - a. Explain in full detail if Duke Kentucky relies upon a computer system or the customers to alert of possible meter failure when the usage is significantly higher or lower than the historical average.
 - b. Provide the protocol Duke Kentucky follows if alerted of a potential meter failure.
11. Refer to Duke Kentucky's response to Staff's Second Request, Item 24.e.2.
 - a. Provide the reasons that a customer's natural gas meter would be inaccessible to Duke Kentucky.
 - b. Explain whether Duke Kentucky notifies the Commission when it fails to test a natural gas meter in compliance with 807 KAR 5:022(4).
12. Refer to Duke Kentucky's response to Staff's Second Request, Item 30. The attachment only gives a description of each integrity management initiative and the dollar amount budgeted for each program. Provide an explanation of how Duke Kentucky determined the dollar amount for each integrity management initiative.
13. Refer to Duke Kentucky's response to Staff's Second Request, Item 41, Attachment Staff DR 2-41.
 - a. Provide an explanation for the return on equity (ROE) of 12.00 percent in 2010, and 10.96 percent in 2014.
 - b. Explain why Duke Kentucky's ROE was 1.19 percent in 2011, and a negative 4.10 percent in 2012.

14. Refer to the response to Staff's Second Request, Item 45. Provide the support calculations used to generate the Rate Change for each category to reach the total of \$745,885.

15. Refer to Duke Kentucky's response to Staff's Second Request, Item 51.

a. Provide an update to the baseload and heat sensitivity factor using a 20-year weather normalization adjustment (WNA).

b. Provide an update to the baseload and heat sensitivity factor using a 30-year weather normalization adjustment.

c. Explain how it is not inconsistent for Duke Kentucky to use a 30-year forecast in its energy forecast, but not for its proposed weather normalization model.

d. Refer to the Direct Testimony of William Don Wathen Jr., pages 11, lines 19–20, and continuing onto page 12, line 1. Duke Kentucky states that the WNA was modeled after Atmos Energy Corporation's (Atmos) WNA; however, Atmos uses a 20-year normalization period. Provide an explanation of what portion of the WNA was patterned after Atmos, and what portion was not, and why not.

16. Refer to Duke Kentucky's response to Staff's Second Request, Item 52. Provide the revised Exhibit BWP-1.

17. Refer to Duke Kentucky's response to Staff's Second Request, Item 59.

a. Confirm that unproductive component of labor is not also included in the fringes component of base labor.

b. Provide the percent of incentives that is related to financial goals.

18. Refer to Duke Kentucky's response to Staff's Second Request, Item 60 a.

- a. Listing each year separately, provide how many requests for Rate MPS service have been received over the last five years.
- b. Provide how the \$78.24 per hour rate was determined and what it includes.
- c. Confirm that revising rate MPS to include the costs included in this response would increase the proposed Installation of Meter Pulse Equipment and Replacement of Meter Index charges to \$860 and \$635, respectively.

19. Refer to Duke Kentucky response to Staff's Second Request, Item 62 e.1, and e.2. Indicate whether Duke Kentucky would be willing to include in its tariff the definition of a satisfactory payment record, and a statement that residential customers with satisfactory payment records would not be charged an additional deposit unless their classification of service changes or the customer requests that their deposit be recalculated pursuant to 807 KAR 5:006, Section 8(1)(d)3. If so, provide revised tariff sheets reflecting these items. If not, explain why not.

20. Refer to Duke Kentucky's response to Staff's Second Request, Item 63.

- a. Refer to pages 11, 12, 18, 21, and 23 of 91. The citations to 807 KAR 5:006 on these pages are incorrect as they are a previous version of 807 KAR 5:006, which was last revised effective January 4, 2013. Provide revisions to these tariff pages reflecting the correct citations to 807 KAR 5:006.

- b. Refer to page 48 of 91. Explain the reasoning for the removal of the following sentence from the tariff: "At least one day preceding the day transportation nominations are due to the interstate pipeline(s) transporting customer's gas, customer's pool operator/supplier agrees to inform Company in writing or, at the Company's

discretion, verbally, and confirm in writing with seven (7) days thereafter, the quantities of gas it desires to have transported for the upcoming month, along with all other necessary information.”

c. Refer to page 61 of 91. Explain the reasoning for the removal of the following language from the tariff: “The pool operator offering to purchase, sell, or trade gas supplies must provide the following information for publication on the EBB: A) the pool operator’s name, B) contact person and telephone number, C) quantities of gas available for purchase, sale or trade, D) other general text trade terms.”

21. Refer to Duke Kentucky’s response to Staff’s Second Request, Item 87.

a. Explain in detail how the monthly NYMEX closing prices are used in Duke Kentucky’s Expected Gas Cost (EGC) calculation.

b. Explain how filing a quarterly Gas Cost Adjustment (GCA) would impact Duke Kentucky’s cash flow.

22. Refer to Duke Kentucky’s response to Staff’s Second Request, Item 87, Attachment Staff DR 2-87.

a. Provide documentation to support how Duke Kentucky obtained the Monthly NYMEX price inputs listed.

b. Provide documentation to support how Duke Kentucky calculated the Quarterly NYMEX price inputs listed.

c. Explain what factors caused the high NYMEX closing price for the Month of January 2017.

d. Excluding the January 2017 NYMEX monthly closing price, explain whether Duke Kentucky contends that the difference between the quarterly and monthly price remains too volatile for a shift to a quarterly filing of its GCA.

23. Refer to Duke Kentucky's response to the Attorney General's First Request, Item 3. Confirm that the spreadsheet containing the projected monthly income and dividends are stated in terms of millions of dollars.

24. Refer to Duke Kentucky's response to the Attorney General's First Request, Item 29.

a. Explain the methodology that was used in generating the additions and retirements that appear on the Excel spreadsheet provided in this response.

b. Provide specific details concerning the forecasted plant additions and retirements for the forecasted period, including separately identified projects and their locations, and associated costs. Also, include the projected construction start and completion months for each identified project.

c. For additions on the schedule that are listed as Completed Construction Not Classified, provide an explanation as to why these cannot be classified.

25. Refer to Duke Kentucky's response to the Attorney General's First Request, Item 62. Explain why depreciation expense increased over \$11.2 million from 2018 to 2019.

26. Refer to Duke Kentucky's response to the Attorney General's First Request, Item 89, Attachment 1, page 3, and Attachment 2, pages 2-3.

a. For calendar years 2014, 2015, 2016, and for the months available in 2018, provide a comparison of the budgeted versus actual net periodic benefit costs

for Duke Energy Corp. in the format listed in the table on AG-DR-01-089 Confidential Attachment 1 (2017 actuarial report), page 3.

b. Provide a breakdown of Duke Kentucky's pension costs for the base period and the forecasted test year in the format listed in the table on AG-DR-01-089 Confidential Attachment 1 (2017 actuarial report), page 3. Provide a breakdown of Duke Kentucky's costs and those passed through by affiliates.

c. For 2018, provide a monthly comparison of the budgeted versus actual net periodic costs for Duke Kentucky's costs and those passed through by affiliates. Consider this an ongoing request throughout this proceeding.

d. Explain in detail how the pension costs for the base period and forecasted test year were determined.

27. Refer to Duke Kentucky's response to the Attorney General's First Request, Item 130. In 2014, the percent of equity increased from 53 percent to 57 percent and then declined thereafter. Explain the increase in 2014 and the subsequent decline.

28. Refer to the application, Schedule J.

a. Refer to Schedule J-1. The capital structure increases from the base period to the forecasted period by approximately \$69 million. Provide an itemized list of each adjustment that comprises the \$69 million, justification of the adjustment, and a reference to the application supporting this adjustment. If the adjustment is related to the Tax Cut and Jobs Act, provide the accumulated deferred income tax (ADIT) and Federal Income Tax impacts separately.

b. Refer to Schedule J-3, page 2 of 2. Provide support for the projected interest rate of 4.398 percent for the embedded cost of long-term debt.

29. Refer to the application, Volume 12.1, Schedule L-2.2, page 61 of 71. Explain how often Duke Kentucky uses its hedging plan to reduce volatility in its gas purchases.



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cc: Parties of Record

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