

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 NEW)	CASE NO.
TARIFFS; 3) APPROVAL OF ACCOUNTING)	2019-00271
PRACTICES TO ESTABLISH REGULATORY)	
ASSETS AND LIABILITIES; AND 4) ALL OTHER)	
REQUIRED APPROVALS AND RELIEF)	

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 an electronic version of its responses to the following information. The information requested herein is due on October 28, 2019. 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.

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 Duke Kentucky 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, Duke Kentucky 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 26.
 - 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. Explain whether the capital expenditures budget reflects the total project costs or only Duke Kentucky's portion. If the budget reflects the total project costs, resubmit the capital expenditure budget showing only the Duke Kentucky portion of the costs.

c. Provide a monthly comparison of the projected capital expenditures in Case No. 2017-00321¹ with the actual capital expenditures for April 2018 through to the present. Consider this an ongoing request throughout this proceeding.

d. Refer to line 1 of the schedule, explain why Duke Kentucky is not proposing to recover project “EB021409 – U2 Lime Injection System” through its environmental surcharge mechanism.

2. Refer to the application, Volume 1, Tab 27, and Case No. 2017-00321, Volume 1, Tab 28.

a. Explain the large increase in construction work in progress in 2019 between the two schedules. Include in the explanation whether the capital expenditures budget in the instant case reflects both the electric and gas operations of Duke Kentucky. If the budget reflects electric and gas operations, resubmit the capital expenditures budget separately for electric operations.

b. Provide a monthly comparison of the projected capital expenditures in Case No. 2017-00321 with the actual capital expenditures for April 2018 through the present. Consider this an ongoing request throughout this proceeding.

3. Refer to the application, Volume 1, Tab 28.

a. Refer to page 1 of 13.

(1) Identify the increase in electric revenue in each year associated with new load.

(2) Explain the increase in Other Income from 2020 to 2021.

¹ Case No. 2017-00321, *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 Relief* (Ky. PSC Apr. 13, 2018).

b. Refer to page 3 of 13. Explain why no dividends are being paid from 2019 through 2021.

c. Refer to page 6 of 13. Explain the decrease in total generation from 2019 to 2020.

4. Refer to the application, Volume 10, Tab 41. Provide the following information for Duke Energy Business Services LLC (DEBS) and other affiliated entities' costs directly assigned or allocated to Duke Kentucky, as well as other requested information.

a. 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 an affiliate.

(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-month periods ending November 2014 through November 2019.

c. The number of DEBS employees for the 12-month periods ending November 2014 through November 2019.

d. Duke Kentucky's peak demand (date and time) for each 12-month period from November 2014 through November 2019.

e. The number of Duke Kentucky employees for each 12-month period from November 2014 through November 2019.

f. Explain 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.

g. Explain 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.

h. If the answer to h. above is no, provide a complete explanation as to why no test-year adjustment was made in Duke Kentucky's proposed test-year level of DEBS Service costs.

i. Identify any changes in the manner any affiliates' costs are allocated to Duke Kentucky since its last rate case.

5. Refer to the application, Volume 10, Tab 41, page 3 of 10. Explain the decrease in expenses allocated to Duke Kentucky from DEBS from the base period to the forecasted test period

6. Refer to the application, Volume 11, Section B, Schedule B-2.3, pages 1 through 6 of 12.

a. Explain why such a large portion of the capital additions in the base period are categorized as “Completed Construction Not Classified.”

b. State whether all projected capital additions included in the base period, i.e. capital additions for months that were projected, are categorized as “Completed Construction Not Classified” as shown on line 10 of page 1, line 13 of page 2, line 11 of page 3, line 24 of page 4, line 10 of page 5, and line 10 of page 6.

c. If all projected capital additions included in the base period are categorized as “Completed Construction Not Classified,” explain why they are all categorized in that manner.

d. Provide an Excel spreadsheet with the monthly breakdown of the additions and retirements in each line of pages 1 through 6 of Schedule B-2.3.

7. Refer to the application, Volume 11, Section B, Schedule B-2.3, pages 7 through 12 of 12.

a. Confirm that all capital additions in the forecasted test year, other than the proposed battery storage project, are categorized as “Completed Construction Not Classified,” and if it is not able to be confirmed, explain why not.

b. Explain why all of the capital additions in the forecasted test year, other than the proposed battery storage project, are categorized as “Completed Construction Not Classified” as opposed to being categorized based on the expected project.

c. Provide an Excel spreadsheet with a monthly breakdown of the additions and retirements in each line of pages 7 through 12 of Schedule B-2.3.

d. Explain how Duke Kentucky projected the additions to “Completed Construction Not Classified” on pages 7 through 12 of Schedule B-2.3.

8. Refer to the application, Volume 11, Section B, Schedule B-2.3, pages 1 through 12 of 12. Identify all expected projects and capital expenditures that Duke Kentucky contends support the projected additions shown in Schedule B-2.3. Briefly describe the expected projects and capital expenditures, provide the total expected cost of the projects and capital expenditures, provide the date when Duke Kentucky expects work on any projects identified to begin, and the date on which Duke Kentucky expects any project identified to be placed in service.

9. Refer to the application, Volume 11, Section B, Schedule B-6, page 2 of 2, and line 6, columns 3, 4, and 5, and line 9, column 4.

a. Explain why the accumulated deferred income taxes (ADIT) generated by the Investment Tax Credits are adjusted to zero for ratemaking purposes.

b. Provide the calculation of the (\$2,527,989) adjustment to eliminate ADIT for items not included in rate base.

10. Refer to the application, Volume 11, Schedule K, page 4 of 5. Explain why Duke Kentucky projects that its return on equity (ROE) will decline 30 percent between 2018 and the end of the forecast period.

11. Refer to the application, Volume 12, Schedule L-1, page 7 of 172. There appears to be missing language on the next to last line of text on this page between “from the termination date” and “in writing.” Confirm that there is language missing, and if so,

indicate whether the tariff should be revised to match the language in Duke Kentucky's Gas Tariff.²

12. Refer to the application, Volume 12, Schedule L-1, page 18 of 172. Explain what is meant by the sentence "If bills are rendered electronically then a charge not to exceed \$0.25 per usage may be assessed" and why Duke Kentucky is not proposing to remove the sentence from its tariff as it did in its last gas base rate case, Case No. 2018-00261.³

13. Refer to the application, Volume 12, Schedule L-1, page 22 of 172. In Case No. 2018-00261, Duke Kentucky agreed, at the Commission Staff's request, to include in its gas 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).⁴ State whether Duke Kentucky would be willing to add the same information to its electric tariff.

14. Refer to the application, Volume 12, Schedule L-1, pages 62 through 70 of 172. Provide an explanation for the text changes and new text in Rate LED.

15. Refer to the application, Volume 12, Schedule L-1, page 104 of 172. Confirm that the text in (e) is in the current tariff and is not new text.

² Second paragraph of Ky. P.S.C. Gas No. 2, Second Revised Sheet No. 20, Cancelling and Superseding First Revised Sheet No. 20, page 2 of 3.

³ Case No. 2018-00261, *Electronic Application of Duke Energy Kentucky, Inc. for Authority to 1) Adjust Natural Gas Rates 2) Approval of a Decoupling Mechanism 3) Approval of New Tariffs 4) and for All Other Required Approvals, Waivers, and Relief* (Ky. PSC Mar. 27, 2019).

⁴ Case No. 2018-00261, Duke Kentucky's Response to Commission Staff's Third Request for Information, Item 19, and Duke Kentucky's Response to Commission Staff's Fourth Request for Information, Item 4.

16. Refer to the application, Volume 12, Schedule L-1, pages 105-106 of 172. In the Rider PSM Factor formula, one component is listed as EV; however, in the description of the abbreviations, there is no EV listed. There is an RV listed for Net Revenues from Electric Vehicle Charging Stations. Indicate whether the formula or the description should be revised.

17. Refer to the application, Volume 12, Schedule L-1, page 113 of 172, regarding the Green Source Advantage Program enrollment window. Explain why eligible customers would not be able to submit an application year-round.

18. Refer to the application, Volume 12, Schedule L-1, page 126 of 172. Explain the rationale for possibly requiring customers to take service under Rider Advanced Meter Opt-out in particularly dangerous or repeated instances of tampering.

19. Refer to the application, Volume 12, Schedule M-2.1 for the base period and forecasted test period. Also, refer to the Direct Testimony of Ash M. Norton (Norton Testimony), page 6, Table 1. Given that the projected demand is increasing by 97.4 MW, explain why the total sales are only increasing 4.013 billion kWh to 4.045 billion kWh.

20. Refer to the application, Volume 13, WPD-2.30a. Provide the number of transactions subject to credit card fees for the preceding five year period.

21. Refer to the Direct Testimony of Amy B. Spiller (Spiller Testimony), page 4, lines 19–21. The testimony indicates that Duke Kentucky is increasingly serving customers with underground facilities.

a. Provide the annual amount of transmission and distribution facilities that Duke Kentucky has transitioned from above to below ground for the past five years.

b. Provide the amount of transmission and distribution facilities that Duke Kentucky forecasts during the forecast year that will be transitioned from above to below ground.

22. Refer to the Spiller Testimony, page 7, lines 15–16. For the years 2015 to date, provide Duke Kentucky’s economic development initiatives.

23. Refer to the Spiller Testimony, page 8, lines 15–19, regarding the investments made by Duke Energy towards the Urban Revitalization Initiative.

a. Describe in detail the Urban Revitalization Initiative.

b. Of the \$2.4 million spent by Duke Energy since 2011 in the Duke Energy Ohio and Duke Kentucky service areas, provide the specific amount that was spent in Duke Kentucky’s service territory.

c. Of the 72 projects that Duke Energy has invested in the Duke Energy Ohio and Duke Kentucky service areas, provide the number of projects that were located in Duke Kentucky’s service territory.

24. Refer to the Spiller Testimony, page 9, lines 3–6, regarding the economic development efforts of Duke Kentucky since 2006 contributing “to the creation of nearly 29,478 Northern Kentucky jobs and more than \$4.5 billion of capital investment in Northern Kentucky since 2006.” Refer also to the application, Tab 8, in which near stagnant load growth is listed as one of the drivers for Duke Kentucky’s requested rate adjustment for its electric operations. Explain the conflicting nature of these two statements, which, on the one hand, states that Duke Kentucky’s economic development efforts since 2006 has resulted in a significant number of jobs created and capital

investment made in Northern Kentucky; while, on the other hand, Duke Kentucky is experiencing little to no load growth necessitating the filing of the instant rate application.

25. Refer to the Spiller Testimony, page 11, lines 18–20, regarding the Adjusted Due Date program.

a. Confirm that the Adjusted Due Date program is available to those electric customers who have an analog meter.

b. Explain whether an eligible electric customer can request to adjust the customer's due date an unlimited number of times or whether there is a limit placed on the number of times that a due date can be adjusted.

c. Explain why the program is limited to only to those customers who have analog meters.

d. Explain whether there is a similar program that is available to electric customers who have advanced metering infrastructure (AMI) meters.

26. Refer to the Spiller Testimony, page 13, lines 12 through page 14, line 4, regarding the High Bill Alerts and the Usage Alerts programs.

a. State whether the High Bill Alerts program is set forth in Duke Kentucky's tariff. If so, identify where the High Bill Alerts program is set forth in Duke Kentucky's tariff.

b. In addition to having a non-AMI meter, provide the other qualifications required for eligibility for the High Bill Alerts program.

c. Explain how the alerts are communicated to customers that are automatically enrolled in the High Bill Alerts program.

d. Provide the number of electric customers that are currently participating in the High Bill Alerts program.

e. With respect to the Usage Alerts program, confirm that this is a voluntary program. If confirmed, explain why Duke Kentucky is proposing to automatically transition “all eligible customers who receive an AMI-MDM certified meter from High Bill Alerts to [Duke Kentucky’s] Usage Alerts program” rather than allowing eligible customers the option to be transitioned to the Usage Alerts program.

f. The testimony also states that “[e]ligible customers who start service at premises with an AMI-MDM certified meter are automatically enrolled in [Duke Kentucky’s] Usage Alerts program.” To the extent that the Usage Alerts program is a voluntary program, explain why Duke Kentucky is proposing to automatically enroll these customers in the program rather than allowing such customers to voluntarily choose to enroll in the program.

27. Refer to the Spiller Testimony, pages 20–22. State whether the option to install multi-use poles for “smart city” infrastructure planning is located in Duke Kentucky’s lighting tariffs. If so, identify the location of these provisions.

28. Refer to the Direct Testimony of Melissa B. Abernathy, page 2. Refer also to the application, Volume 11, Section B, Schedule B-2.1, pages 5 and 11 of 12. Explain the increase in Completed Construction Not Classified from the base period to the forecasted test year.

29. Refer to the Direct Testimony of Thomas Christie (Christie Testimony), page 9. Explain whether Duke Kentucky has considered or evaluated insourcing its vegetation

management program. If not, explain why not. If so, identify and describe any barriers and provide any economic analysis performed.

30. Refer to the Christie Testimony, page 10.

a. Describe in detail how Duke Kentucky contracts its vegetation management services.

b. Provide copies of its vegetation management contracts from 2014 through 2018.

c. On what basis does Duke Kentucky award its vegetation management contracts (i.e., per hour, per mile, etc.).

31. Refer to the Christie Testimony, page 12, lines 2–3.

a. Explain whether the vegetation management contract for the Duke Kentucky service area is part of a larger contract or independent of contracts awarded for the Midwest market.

b. State the term of the contract.

32. Refer to the Christie Testimony, pages 12–13. Explain whether Duke Kentucky's Hazard Tree Program only targets trees that are outside of its right of way.

33. Refer to the Christie Testimony, page 14. Explain why the Hazard Tree Removal Program is recorded as a capital asset.

34. Refer to the Direct Testimony of Retha Hunsicker (Hunsicker Testimony).

a. Provide the cost of the proposed customer information system (CIS) by year.

b. Explain how the cost of the CIS will be allocated among the Duke Energy affiliates, including Duke Kentucky.

c. State whether the cost allocation is included in the Cost Allocation Manual. If so, identify the relevant provisions.

35. Refer to the Hunsicker Testimony, pages 4–5. Provide examples of “complex billing,” beyond net metering, that currently require manual intervention.

36. Refer to the Hunsicker Testimony, page 8. Explain how Duke Energy, and in turn Duke Kentucky, chose Customer Connect for its customer service platform.

37. Refer to the Hunsicker Testimony, page 14, line 9, and page 15, lines 12–15. Confirm that Duke Kentucky will not implement a new bill format until its revised tariff, as proposed in this matter, which includes the new bill format, is approved by the Commission.

38. Refer to the Hunsicker Testimony, page 14, lines 16–18. Provide examples of new rate offerings and advanced billing options that could be provided to customers.

39. Refer to the Hunsicker Testimony, page 18, line 19 through page 21, line 16. Explain how the new CIS system would be affected if the Commission fails to grant any or all of the requested waivers.

40. Refer to the Hunsicker Testimony, page 18, line 19 through page 21, line 16. If the Commission were to grant any of the waivers requested, indicate when Duke Kentucky’s tariff would be revised to reflect such waivers.

41. Refer to the Hunsicker Testimony, page 19. Confirm that Duke Kentucky’s proposal, to only bill residential customers if the recalculated deposit is greater than \$50, would also require a waiver of 807 KAR 5:006, Section 8(1)(d)(3)(c). If this cannot be confirmed, explain.

42. Refer to the Hunsicker Testimony, page 19, lines 6–8. Pursuant to 807 KAR 5:006, Section 8(1)(d)(3)(a), a customer is allowed to request that their deposit be recalculated every 18 months based on the actual usage of the customer. State whether Duke Kentucky is proposing to make the deposit recalculation automatic instead of at the customer’s request.

43. Refer to the Hunsicker Testimony, page 19, lines 8–11.

a. Explain how it is in the best interest of the customer to have their deposits recalculated annually.

b. Provide, by year, for calendar years 2017, 2018, and 2019 to date, the number of customers whose deposit was insufficient to cover the amount owed when they left Duke Kentucky’s system.

44. Refer to the Hunsicker Testimony, page 19, lines 14–20. Provide the following information by year for calendar years 2017, 2018, and 2019 to date.

a. The number of residential customers who requested that their deposit be recalculated pursuant to 807 KAR 5:006, Section 8(1)(d)(3)(a).

b. The number of residential customers who received a refund as a result of their deposit recalculation.

c. The number of residential customers who had to pay an additional deposit as a result of their deposit recalculation.

d. The number of residential customers who would have received a refund as a result of their deposit recalculation if the waiver proposed in this case was in place at the time.

e. The number of residential customers who would have had to pay an additional deposit as a result of their deposit recalculation if the waiver proposed in this case was in place at the time.

f. The number of non-residential customers who requested that their deposit be recalculated pursuant to 807 KAR 5:006, Section 8(1)(d)(3)(a).

g. The number of non-residential customers who received a refund as a result of their deposit recalculation.

h. The number of non-residential customers who had to pay an additional deposit as a result of their deposit recalculation.

i. The number of non-residential customers who would have received a refund as a result of their deposit recalculation if the waiver proposed in this case was in place at the time.

j. The number of non-residential customers who would have had to pay an additional deposit as a result of their deposit recalculation if the waiver proposed in this case was in place at the time.

45. Refer to the Hunsicker Testimony, page 19, line 21 through page 20, line 20. Confirm that the beginning and ending meter readings are currently being displayed on customer bills for the customers served under the rate schedules listed.

46. Refer to the Hunsicker Testimony, page 20, lines 6–20. Provide an example showing how usage that occurs during the relevant bill periods will be displayed on the bills of customers served under the rate schedules listed.

47. Refer to the Hunsicker Testimony, page 20, line 21 through page 21, line 16. Confirm that Duke Kentucky is currently not offering the Revert to Owner program.

48. Refer to the Hunsicker Testimony, page 20, line 21 through page 21, line 16. Indicate how long Duke Kentucky will retain the deposit from owners that enroll in the Revert to Owner program.

49. Refer to the Hunsicker Testimony, page 20, line 21 through page 21, line 16. State whether interest will be paid for the amount of time the deposit from the owner is retained as required by 807 KAR 5:006, Section 8(6).

50. Refer to the Direct Testimony of Christopher M. Jacobi (Jacobi Testimony), pages 5, 7, and 8.

a. Provide the rating agency reports from both Standard & Poor's (S&P) and Moody's Investors Service (Moody's) for Duke Kentucky for 2018 and 2019.

b. If not provided in response to part a., provide the S&P report referenced in footnote 1 on page 7.

c. If not provided in response to part a., provide the Moody's report referenced in footnote 2 on page 8.

51. Refer to the Jacobi Testimony, page 3, lines 15–21. The testimony refers to the importance of maintaining specific targets that support financial strength and flexibility.

a. Explain how the current awarded ROE does not support these targets.

b. In Case No. 2019-00238,⁵ the Commission approved Duke Kentucky's request for an increase to its financing authority from \$200 million to \$280

⁵ Case No. 2019-00238, *Application of Duke Kentucky, Inc. for an Order Seeking an Amendment to Its Existing Financing Authority Authorizing the Issuance of Unsecured debt and Long-Term Notes, Execution and Delivery of Long-Term Loan Agreements, and Use of Interest Rate Management Instruments* (Ky. PSC Sept. 9, 2019).

million. In that application, Duke Kentucky stated that the request for the additional \$80 million was because it has been able to obtain very favorable pricing. Duke Kentucky is requesting an increase in its ROE from 9.725 percent, as authorized in Case No. 2017-00321, to 9.800 percent. Provide support as to why an increase of 7.5 basis points is necessary since Duke Kentucky has been able to attract favorable pricing.

52. Refer to the Jacobi Testimony, page 7, lines 15–16. Provide documentation supporting Mr. Jacobi’s statement that financial markets continue to experience periods of volatility.

53. Refer to the Jacobi Testimony, page 12, lines 1–12. Refer also to the application, Volume 11, Schedule J-2.

a. Provide documentation and all calculations for the short-term interest rate for the base and forecast period.

b. Explain why Duke Kentucky chose a credit spread of 90-basis points.

c. Provide the spread added to the short-term debt for Duke Kentucky’s last two electric base rate cases.

54. Refer to the Jacobi Testimony, page 12, lines 13–20. Refer also to the application, Volume 11, Schedule J-3.

a. Provide documentation and all calculations for the long-term interest cost on the \$25 million of LT Commercial Paper for the base and forecast period.

b. Explain why Duke Kentucky chose the credit spread to be 25-basis points of the LT Commercial Paper.

c. Provide documentation and all calculations for the long-term interest cost of the Variable Debt of \$26,720,000 for the base and forecast period.

d. Provide documentation and all calculations for the long-term interest cost of the September 2020 forecasted debenture.

e. Explain why Duke Kentucky chose a credit spread of 162-basis point for the September 2020 forecasted debenture.

f. Provide the spread added to the long-term debt, if any were forecasted, for Duke Kentucky's last two electric base rate cases.

55. Refer to the Jacobi Testimony, page 14.

a. Provide the income statement for each month included in the base period.

b. Provide the monthly income statements for the 12-month period ended November 2018.

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. 2017-00321.

56. Refer to the Jacobi Testimony, page 17, regarding property taxes.

a. Identify and explain any changes to the way Duke Kentucky computes Kentucky property taxes for the base period and forecasted test year.

b. Provide a copy of the 2018 and 2019 Kentucky Public Service Company Property Tax Notices as issued by the Kentucky Department of Revenue.

c. Provide a copy of the 2018 and 2019 Ohio Real and Personal Property Tax assessments.

57. Refer to the Jacobi Testimony, page 21, regarding non-union labor expense.

a. Provide the adjustment to non-union labor expense, exclusive of promotions, if wage and salary increases were limited to three percent.

b. Provide the same adjustment of all labor costs allocated to Duke Kentucky.

58. Refer to the Jacobi Testimony, page 21, regarding operations and maintenance (O&M) expense.

a. Identify the amount, in percentage terms, of the general escalation assumptions, and explain how they were determined.

b. Identify and explain the escalation assumptions for those expenses that are expected to diverge from general escalation assumptions.

59. Refer to the Jacobi Testimony, page 24. Identify, quantify, and explain all expected productivity and efficiency gains reflected in the forecasted data.

60. Refer to the Jacobi Testimony, page 27. Refer also to the application, Volume 1, Tab 28, and Duke Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 21. Provide Duke Kentucky's actual transmission expense for the five-year period ending December 31, 2018 and the projected transmission expense for years 2019 through 2021.

61. Refer to the Jacobi Testimony, page 31, and the application, Volume 11, Section D, Schedule D-2.8. Explain the large increase in customer accounts expense from the base period to the test period.

62. Refer to the Jacobi Testimony, page 32, and the application, Volume 11, Section D, Schedule D-2.14. Provide a schedule showing a breakdown of state and other

taxes for the base period and forecasted test year. Provide any calculations that were used in computing the tax amounts.

63. Refer to the Direct Testimony of Jeff L. Kern (Kern Testimony), page 9, lines 10–13, regarding the proposed rate design objectives.

a. Explain in detail what is meant by there being “no significant structural changes to the power rates.”

b. Regarding the decision not to implement any significant rate design changes due to the anticipated future replacement of the billing system, explain whether Duke Kentucky intends to develop and propose significant rate design changes once the new billing system becomes operational and what those significant rate design changes will be.

64. Refer to the Kern Testimony, page 10, lines 6–8. Describe in detail what the “existing structural characteristics of the rate schedules” entail.

65. Refer to the Kern Testimony, page 11, lines 13–16. Explain why the original LED rates did not include the costs for pole foundations, brackets, or wiring equipment.

66. Refer to the Kern Testimony, pages 12–13, regarding the proposed revisions to the Cogeneration and Small Power Production Sale and Purchase Tariff – 100 kW or Less (QF Small Tariff) and the Cogeneration and Small Power Production Sale and Purchase – Greater than 100 kW (QF Large Tariff). Explain why the Energy Purchase Rate for the QF Small Tariff is determined differently than the Energy Purchase Rate for the QF Large Tariff.

67. Refer to the Kern Testimony, page 13–14 regarding distribution pole attachment charges, and Attachment JLK-4, Line 11, Taxes (Normalized).

- a. Identify what taxes are included in Line 11.
- b. Provide an example calculation that shows how the percentage was determined.

68. Refer to the Kern Testimony, page 14, lines 4–8, and the Direct Testimony of Sarah E. Lawler (Lawler Testimony), page 17, lines 12–22. Explain whether any margins from the proposed Electric Transit Bus Charging stations will be included in Duke Kentucky's Rider PSM.

69. Refer to the Kern Testimony, page 14, lines 16–18. Provide the amount included in miscellaneous charges revenue charges of \$165,980 that represents the fraud/tamper penalty.

70. Refer to the Kern Testimony, page 15, lines 9–12. Explain why separate electric and gas crews are dispatched for reconnections and indicate if this is a change in practice or if Duke Kentucky has always dispatched separate crews.

71. Refer to the Kern Testimony, page 15, lines 14–15. Confirm that the incremental charge for reconnection after normal business hours is for both remote and non-remote meters.

72. Refer to the Kern Testimony, page 17, lines 9–11. Explain how the flat fees and gross receipt fees that include caps are passed on to customers.

73. Refer to the Kern Testimony, Attachment JLK-4. Explain why Duke Kentucky used a rate of return of 6.83 percent in calculating its pole attachment rates.

74. Refer to the Kern Testimony, Exhibit JLK-5, page 1 of 1, regarding remote reconnection.

a. Explain what DEMW Base Occupancy means and indicate how Duke Kentucky arrived at the percentage listed.

b. Explain what Base Shrinkage means and indicate how Duke Kentucky arrived at the percentage listed.

c. Also, refer to Case No. 2017-00321, Rebuttal Testimony of Bruce L. Sailors, Attachment BLS – Rebuttal 8. Explain why the method of calculating the remote reconnection charge used in the current case differs from what was used in Case No. 2017-00321.

75. Refer to the Direct Testimony of Zachary Kuznar, PhD (Kuznar Testimony) Testimony, page 3, lines 2–5, and page 4, lines 2–5. Explain whether nonperformance during distribution system outages could result in penalties or charges from PJM.

76. Refer to the Kuznar Testimony, page 4, lines 1–16. Explain how PJM’s ancillary service market currently utilizes and compensates distribution battery energy storage systems.

77. Refer to the Kuznar Testimony, page 5, lines 13–15. State whether any other Duke Kentucky affiliates have implemented battery storage projects. If so, identify the affiliate, provide a general description of the energy storage system(s), and explain how Duke Kentucky’s proposed project incorporates lessons learned from those affiliates.

78. Refer to the Kuznar Testimony, pages 7–8.

a. Provide and explain which rider mechanism Duke Kentucky is proposing to use to flow through the net revenues to customers from battery storage functions.

b. Provide the amount of net revenues that are included in the test year for battery storage operations.

c. Provide the expected useful life of the battery storage project.

79. Refer to the Kuznar Testimony, page 8, lines 9–16, and page 9, lines 7–9.

a. State whether the proposed battery project will provide increased reliability to any Duke Kentucky customer in addition to the hospital. If so, identify that customer.

b. State whether a cost-benefit analysis was performed for the proposed battery project. If so, provide the analysis.

80. Refer to the Kuznar Testimony, page 9, lines 5–12. Describe the process Duke Kentucky used to determine the location of the proposed battery project.

81. Refer to the Kuznar Testimony, page 9, lines 13–18. Confirm that below-average reliability of the circuit would increase the benefit of the proposed battery project. If confirmed, provide the reliability indexes of the subset of Duke Kentucky's system to which it proposes to attach the battery. If this cannot be confirmed, explain why.

82. Refer to the Kuznar Testimony, page 10, lines 11–12. Provide an itemized breakdown of the \$8.2 million cost of the battery storage project.

83. Refer to the Kuznar Testimony, page 11, lines 3–4. Provide an itemized breakdown of the \$163,000 annual ongoing cost of operation.

84. Refer to the Kuznar Testimony, Attachment ZK–1.

a. Explain in detail the competitive procurement process that Duke Kentucky will implement in identifying potential contractors and evaluating the proposals for the battery storage project.

b. Refer to pages 3–4 of Attachment ZK–1 regarding the system requirements for the Battery Energy Storage System (BESS).

(1) Explain how Duke Kentucky selected 5.5 MW as the appropriate size to be attached to Duke Kentucky’s distribution system.

(2) Explain how Duke Kentucky selected 8 MWh for 12 years as the optimal energy rating for the BESS.

(3) Explain how Duke Kentucky selected Samsung Lithium Ion or comparable technology as the appropriate battery material for the BESS. Include in this explanation a discussion of the safety and quality record of the Samsung Lithium-Ion battery.

85. Refer to the Lawler Testimony, page 8, regarding rate case expense. Also, refer to the application, Volume 11, Section D, Schedule D-2.17. State whether Duke Kentucky has any amortization of rate case expense from its prior rate case in its forecasted test year. If so, provide the amount.

86. Refer to the Lawler Testimony, page 16, lines 9–11. Provide the calculation of the revenue requirement impact of Duke Kentucky’s proposed battery storage project.

87. Refer to the Lawler Testimony, pages 16–18. Explain the basis for the difference in Duke Kentucky’s proposed treatment of margins and O&M expenses generated by the EV Fast Charge Program and Electric Transit Bus Charging Program. If there are no differences, clarify Duke Kentucky’s proposed treatment.

88. Refer to the Lawler Testimony, page 17, lines 9–11. Provide the calculation of the revenue requirement impact of Duke Kentucky’s proposed electric vehicles pilot programs.

89. Refer to the Lawler Testimony, page 17, lines 12–14, and to the Direct Testimony of Lang W. Reynolds (Reynolds Testimony), page 9, Table 1. Confirm that Duke Kentucky has not included any estimated O&M expenses related to its Electric Vehicle Transportation Pilot, which total \$1,458,650, in the forecasted test period. If this cannot be confirmed, provide the amounts, location, and associated program for the expenses included in the test year.

90. Refer to the Lawler Testimony, page 17, line 12 through page 18, line 7, where she discusses Duke Kentucky's request for a deferral of O&M expenses associated with the electric vehicle programs.

a. Identify the revenue that Duke Kentucky would offset against the O&M expenses for the electric vehicle programs if the Commission granted Duke Kentucky's request for a deferral as requested, e.g., the revenue from what, how would the revenue be distinguished from other revenue from same customer, etc., and explain how Duke Kentucky would calculate that revenue.

b. Explain whether Duke Kentucky is proposing a single deferral for all of the electric vehicle programs or separate deferrals for each program.

c. Explain how Duke Kentucky would distinguish O&M expenses attributed to each of the electric vehicle programs as compared to general and other O&M expenses for the purpose of establishing the amount to include in the deferral requested or to offset against the revenue when calculating the margin to be returned to customers through Duke Kentucky's Rider PSM.

d. Provide an estimate of the expenses Duke Kentucky expects to incur for each of the electric vehicle programs in 2020, 2021, and 2022, accounting for the fact

that the programs will not be fully implemented during portions of those years, and explain how Duke Kentucky estimated the expenses it expects to incur for each program in those years.

e. Provide an estimate of the revenue Duke Kentucky expects to receive from each of the electric vehicle pilot programs in 2020, 2021, and 2022, accounting for the fact that the programs will not be fully implemented during portions of those years, and explain how Duke Kentucky estimated the revenue it expects to earn from each program in those years.

91. Refer to the Lawler Testimony, page 18.

a. Explain why Duke Kentucky is proposing to pass through any net margins through Rider PSM rather than through base rates.

b. Explain if the proposal to pass through any net margins through Rider PSM shifts any risk from Duke Kentucky to its customers.

92. Refer to the Direct Testimony of Renee H. Metzler, page 37, lines 18-20. Provide the percentage of employee cost if out-of-pocket costs were excluded from the computation.

93. Refer to the Direct Testimony of Roger A. Morin, PhD (Morin Testimony). Provide all Exhibits in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible.

94. Refer to the Morin Testimony, page 22. Dr. Morin states that both Yahoo Finance and Zacks Investment Research Inc. (Zacks) publish the systematic compilations

of analysts' forecasts. In Duke Kentucky's last rate case, Dr. Morin used Zacks rather than Yahoo Finance, as in the present case⁶.

a. Provide any differences in the earning per share forecasts between Yahoo Finance and Zacks.

b. Provide a revised Attachment RAM-5 using Zacks EPS forecasts rather than Yahoo Finance.

95. Refer to the Morin Testimony, pages 28-29 and Attachment RAM-2. Information regarding Chesapeake Utilities is not published in the printed version of Value Line. Provide the information for Chesapeake Utilities that would have been provided in the printed version of Value Line.

96. Refer to the Morin Testimony, pages 32-37. If securities markets are efficient, prices should adjust rapidly to a wide array of information, and the then-current price of a security should reflect its market value. Therefore, when purchasing a 30-year treasury bond, the price investors are willing to pay, and the yield received necessarily embody investors' current expectations of the future. Explain why it is incorrect to use the current 30-year long-term bond rate as opposed to the forecasted rate as the risk-free rate in the CAPM analysis.

97. Refer to the Morin Testimony, Attachment RAM-7. The attachment appears to be missing multiple observations, including multiple electric utilities in the Duke Kentucky proxy group.

⁶ See Case No. 2017-00371, *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*, Morin Direct Testimony, Attachment RAM-5 (Filed Sept. 1, 2017).

a. Provide an updated Attachment RAM-7 that includes all the observations and data listed that were used in the analysis.

b. Provide an updated Attachment RAM-7 using earnings per share growth forecasts from Yahoo Finance rather than Value Line in the analysis.

98. Refer to the Morin Testimony, page 51. Provide the most recently awarded returns on equity and the date of each award for each of Duke Kentucky's affiliate regulated sister companies as well as each company in the proxy group.

99. Refer to the Morin Testimony, page 53. Confirm that the equation in the graph should match the equation on page 52.

100. Refer to the Morin Testimony, page 61. Dr. Morin discusses Duke Kentucky's \$914 million construction program over the next few years and the regulatory risks including approval risk, lags and delays, potential rate base exclusions, and potential disallowances faced by Duke Kentucky.

a. Provide a list of Duke Kentucky's anticipated construction projects that make up the \$914 million program, the nature of the projects, whether they are required to conform to federal or state regulations, which projects will require a CPCN from this Commission, and the anticipated date of any required CPCN filing.

b. Provide any construction project for which the company requested approval has been denied or excluded from rate base when Duke Kentucky requested rate base inclusion or project costs disallowed by this Commission. If so, provide the relevant case number and the reason for each denial, exclusion, or disallowance.

c. Provide any construction projects that have been delayed by this Commission beyond the usual regulatory CPCN schedule and for which Duke Kentucky

has requested timely approval for which Dr. Morin is aware. Provide the relevant case number and an explanation of the nature of the lag or delay.

d. Explain if Dr. Morin or Duke Kentucky is aware of whether the market has reacted negatively toward Duke Kentucky because of the regulatory framework in Kentucky within which the company must work. If so, explain how Duke Kentucky has been negatively affected.

101. Refer to the Morin Testimony, page 62. Dr. Morin states that Duke Kentucky's very small size and asset base relative both in absolute terms and to the other electric utilities in the proxy group increases its investment risk.

a. Provide an explanation of whether each of the companies listed in the proxy group are holding companies operating in one or more states and which states each affiliate operates, the percentage of regulated (both electric and gas) and unregulated revenues, and how the holding company state affiliates obtain the financing necessary to carry on operations and fund capital projects.

b. Explain if Dr. Morin or Duke Kentucky aware of whether or not Duke Kentucky's parent, Duke Energy, or the markets, in any way restricts Duke Kentucky's access to capital because of its size relative to its other state affiliate companies. If so, describe the nature of the restrictions and a specific instance when this has occurred.

102. Refer to the Morin Testimony, page 63. Duke Kentucky is a Fixed Resource Requirement designated member of PJM. Even though its generation needs are met with its own generation, there is ample excess capacity available should Duke be unable to meet its needs as required by PJM. Provide further explanation as to how Duke Kentucky's generation mix affects its required ROE.

103. Refer to the Direct Testimony of James Michael Mosley (Mosley Testimony), page 7, regarding planned outages.

a. Provide the amount of the planned outage expense for East Bend and Woodsdale for the base period and forecasted test year and how was it determined.

b. Provide the amount of planned outage expense for East Bend and Woodsdale for the four years ending December 31, 2018, and the projected planned outage expense for the four years ending December 31, 2022.

c. Provide a history of the date and cost of generator overhauls by account number for each unit by year since 2008. Provide a schedule of future generator overhauls by account number through 2027.

d. Provide a history of the date and cost of turbine overhauls by account number since 2008.

e. Provide a schedule showing the date and cost of future turbine overhauls by account number through 2027.

104. Refer to the Mosley Testimony, page 14.

a. Provide the amount of decommissioning expense and other expenses for Miami Fort Unit 6 for the base period and forecasted test year.

b. Provide the amount of decommissioning expense and other expenses for the years 2017 through 2018 and the projected expenses through 2022.

c. Provide when Miami Fort Unit 6 is expected to be fully decommissioned.

105. Refer to the Norton Testimony, page 6, Table 1.

- a. Provide a list of the companies listed in Table 1 currently receiving service and under what tariff they are served.
- b. Provide when each of the companies is expected to take service, and over what time frame they will achieve the projected demand.
- c. Explain how the projected increased demand has been reflected in the base period and the forecasted test period.

106. Refer to the Norton Testimony, page 16. Explain the large increases in the total capital expenditures from 2017 through 2021.

107. Refer to the Direct Testimony of John R. Panizza, page 7. Provide the workpapers utilized to calculate the property tax expense for the base period and forecasted test period in Excel format with all formulas intact.

108. Refer to the Direct Testimony of Benjamin Walter Bohdan Passty, Ph.D. (Passty Testimony), page 4. Provide a comparison of the actual number of customers versus the projected number of customers for the base period and forecasted test period in Case No. 2017-00321.

109. Refer to the Passty Testimony, page 5, regarding the factors that affect the forecasting of energy usage. Provide a schedule summarizing the data assumed for each of the factors identified as affecting energy usage for the residential, commercial, industrial, governmental, and street lighting classes.

110. Refer to the Passty Testimony, page 6, regarding adjustments made to the load forecast.

a. Explain how Duke Kentucky projects the growth associated with behind the meter distributed generation and electric vehicle usage. Provide the kWh impact modeled.

b. Explain why Duke Kentucky did not make any adjustments to the 2019 Load Forecast for new customer loads or expansion of an existing customer's load.

c. Provide any new energy efficiency programs modeled.

111. Refer to the Passty Testimony, page 10, lines 20–23, regarding a very large customer committing to do business within Duke Kentucky's service territory. Identify this customer and the projected load.

112. Refer to the Passty Testimony, page 12, lines 15–16.

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

b. Explain whether any Duke Kentucky affiliate makes forecasts using a period other than 30 years and using a different normal weather calculation methodology. If so, explain the other Duke Kentucky affiliate normal weather methodologies.

c. Provide a list and summary of any of Duke Kentucky's affiliates who use periods other than 30 years for weather normalization.

113. Refer to the Passty Testimony, Attachment BWP-2.

a. 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. 2018-00195.⁷

b. Provide a comparison of Duke Kentucky's service area energy forecast with the service area energy forecast from Duke Kentucky's last base rate case.

114. Refer to the Passty Testimony, Attachment BWP-2.

a. 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, Case No. 2018-00195.

b. Provide a comparison of Duke Kentucky's system seasonal peak load forecast with the seasonal peak load forecast from Duke Kentucky's last base rate case, Case No. 2017-00321.

115. Refer to the Direct Testimony of Lesley G. Quick (Quick Testimony), page 8, line 22, through page 9, line 3. Explain whether the convenience fee charged for payments made by credit card, debit card, or electronic check goes directly to Speedpay, the third-party vendor, or whether Duke Kentucky collects the convenience fee and then remits it to Speedpay.

116. Refer to the Quick Testimony at 9, lines 9–12. Explain the basis for Duke Kentucky's expectation that the growth rate will double once fees are removed. Provide any relied upon external or internal studies, reports, or surveys.

117. Refer to the Quick Testimony, page 12, line 15, through page 13, line 6.

⁷ Case No. 2018-00195, *Electronic 2018 Integrated Resource Plan of Duke Energy Kentucky, Inc.* (Application filed June 21, 2018).

a. Explain whether, and if so, how, Duke Kentucky encourages customers dissatisfied with convenience fees when using a credit card, debit card, or electronic check to enroll in its fee-free “Payment Advantage” program.

b. Provide any cost-benefit analysis Duke Kentucky performed in consideration for its fee-free program.

118. Refer to the Quick Testimony, page 14, lines 7– 9.

a. Indicate the provisions in the current tariff that allow Duke Kentucky to charge a field personnel investigation charge and for equipment damage caused by the customer.

b. Indicate any additional expenses incurred by Duke Kentucky when a customer tampers with equipment.

119. Refer to the Quick Testimony, page 15, lines 2–4. Explain how Duke Kentucky calculated the proposed tampering fee for residential and non-residential customers. Also, provide the cost support for this calculation.

120. Refer to the Reynolds Testimony, page 6, lines 16–17. Explain why Duke Kentucky chose the term of the pilot program to be 36 months.

121. Refer to the Reynolds Testimony, page 7, lines 16–20. Provide copies of any interim or annual EV program reports operated by Duke Kentucky affiliate companies that have been provided to other state regulatory Commissions.

122. Refer to the Reynolds Testimony, page 9, Table 1 “Duke Energy Kentucky Electric Transportation Pilot Summary.”

a. The Total Budget for the EV Fast Charging Program is \$1,000,000 in capital expenses and \$17,500 in O&M expenses. Provide an itemized breakdown of the \$1,000,000 capital expenses and the \$17,500 O&M expenses.

b. The Total Budget for the Electric Transit Bus Charging Program is \$375,000 in capital expenses and \$17,500 in O&M expenses. Provide an itemized breakdown of the \$375,000 capital expenses and the \$17,500 O&M expenses.

c. The Total Budget for the Non-Road Electrification Program is \$310,000 in O&M expenses. Provide an itemized breakdown of the \$310,000 O&M expenses.

d. The Total Budget for the Residential EV Charging Program is \$318,900 in O&M expenses. Provide an itemized breakdown of the \$318,900 O&M expense.

e. The Total Budget for the Commercial EV Charging Program is \$400,000 in O&M expenses. Provide an itemized breakdown of the \$400,000 in O&M expenses.

f. The Total Budget for the Education, Outreach, Marketing and Project Management Program is \$394,750 in O&M expenses. Provide an itemized breakdown of the \$394,750 O&M expenses

123. Refer to the Reynolds Testimony, page 10, lines 13-16.

a. Indicate where the Fast Charge Fee is explained in the Direct Testimony of Jeff L. Kern.

b. Explain the reasoning for basing the Fast Charge Fee on the Commission approved tariff Rate DS 3-Phase secondary non-church cap energy charge per kWh.

c. Provide the calculation showing how the amount of \$0.333596 per kWh was determined.

d. Provide a detailed comparison of the calculation of the proposed charge fee of \$0.333596 per kWh to the calculations of other EV program charge fees in other Duke Kentucky affiliate EV programs.

124. Refer to the Reynolds Testimony, page 10, lines 17–19. For those quarters when the fee is updated, explain if and how Duke Kentucky will notify the Commission of the revised rate.

125. Refer to the Reynolds Testimony, page 11, lines 5–9.

a. Explain what will happen if operational costs exceed revenues.

b. Explain whether the net revenues received through the EV Fast Charge Program will be the only component of the EV Pilot that will be flowed through Rider PSM.

126. Refer to the Reynolds Testimony, pages 13–15. State whether Duke Kentucky performed a cost-benefit analysis for the proposed Electric Transit Bus Charging Program. If so, provide the analysis.

127. Refer to the Reynolds Testimony, page 13, lines 20–22, through Page 14, line 1, and page 15, lines 1–2. Clarify whether Duke Kentucky proposes to own the Electric Transit Bus Charging units for the life of each unit or for the term of the pilot program.

128. Refer to the Reynolds Testimony, page 14, lines 3–7.

a. Indicate where the discussion regarding the billings for the Electric Transit Bus Charge Program is in the Direct Testimony of Jeff L. Kern.

b. Indicate whether the customers will receive a separate bill for the usage from the Electric Vehicle Supply Equipment or if the billing information will just be included in the customer's regular bill.

129. Refer to the Reynolds Testimony, page 15, lines 2–5. Explain whether participants in the Electric Transit Bus Charging Program will contract for service for the term of the pilot program or the useful life of the charging units. If the contract term is less than the estimated useful life of the charging unit, explain how Duke Kentucky would recover the undepreciated value of the charging unit at the time that service is terminated.

130. Refer to the Reynolds Testimony, pages 16–18. State whether Duke Kentucky performed a cost-benefit analysis for the proposed Non-Road Electrification Incentive Program. If so, provide the analysis.

131. Refer to the Reynolds Testimony, page 16, lines 6–10. Explain how the program incentives were determined. Provide any relevant supporting calculations or workpapers.

132. Refer to the Reynolds Testimony, pages 18–20. State whether Duke Kentucky performed a cost-benefit analysis for the proposed Residential EV Charging Incentive Program. If so, provide the analysis.

133. Refer to the Reynolds Testimony, page 18, lines 9–17. Explain how the program incentives were determined. Provide any relevant supporting calculations or workpapers.

134. Refer to the Reynolds Testimony, page 18, lines 9–10, and page 19, lines 12–14. Confirm the proposed number of eligible residential customers for the Residential EV Charging Program. Explain how the number of eligible residential customers was determined. Provide any relevant supporting calculations or workpapers.

135. Refer to the Reynolds Testimony, page 18, lines 18–20. Identify the third party vendor Duke Kentucky will contract with. Provide an explanation as to how the third party vendor will collect usage characteristics of EV charging behavior.

136. Refer to the Reynolds Testimony, pages 21–23. State whether Duke Kentucky performed a cost-benefit analysis for the proposed Commercial EV Charging Incentive Program. If so, provide the analysis.

137. Refer to the Reynolds Testimony, page 21, line 3–8. Explain how the program incentives were determined. Provide any relevant supporting calculations or workpapers.

138. Refer to the Reynolds Testimony, page 21, lines 13–16.

a. Indicate which rate schedules the statement “Customer must select one of the following rates listed above...” is referring to.

b. Provide an explanation as to why current Duke Kentucky commercial electric customers would not be billed under their existing rates.

139. Refer to the Reynolds Testimony, page 24, lines 3–6.

a. Explain why Duke Kentucky has not proposed a change to the Rate DS rate schedule to reference the Fast Charging Fee.

b. Explain why Duke Kentucky has not proposed any revisions to its tariff to reflect the availability and provisions of the five programs of the Electric Transportation Pilot Program.

140. Refer to the Reynolds Testimony, Attachment LWR-1, page 11 of 27. State whether Duke Kentucky will utilize a managed charging program. If so, identify and describe the managed charging program.

141. Refer to the Reynolds Testimony, Attachment LWR-4. Confirm that references to “DEO” should be “DEK.” If this cannot be confirmed, state whether this program will be jointly administered between Duke Energy Ohio and Duke Kentucky and explain how costs will be allocated to each entity.

142. Refer to the Direct Testimony of Andrew S. Ritch, page 9, lines 3-9.

a. Explain how Duke Kentucky calculated the \$2,000 non-refundable application fee. Provide the cost support for this calculation.

b. Explain how Duke Kentucky calculated the \$375 monthly administration fee. Provide the cost support for this calculation.

143. Refer to the Direct Testimony of Jeffrey R. Setser (Setser Testimony), page 21, lines 18–22, regarding the most recent internal audit of DEBS’ cost allocations occurring on June 20, 2017. Provide when the next internal audit of DEBS’ cost allocations will be completed.

144. Refer to the Setser Testimony, page 29, lines 9–13. Provide a copy of the market research referenced in the testimony showing that the costs of common business functions that are allocated to Duke Kentucky and shared among all affiliated companies result in a lower overall cost to Duke Kentucky than if it had to maintain separate functions.

145. Refer to the Direct Testimony of John J. Spanos (Spanos Testimony), page 10. Explain what changes have occurred since the last rate case that would change the terminal net salvage value for generating facilities.

146. Refer to the Spanos Testimony, page 11, lines 22–23. Provide a copy of the Burns and McDonnell decommissioning studies for the East Bend Generating Station and the Woodsdale Generating Station.

147. Refer to the Spanos Testimony, Exhibit JJS-1, 2018 Depreciation Study, page 7 of 364. Provide a comparison of the current depreciation rates and the proposed depreciation rates.

148. Refer to the Verderame Testimony, page 5, lines 13 – 17, regarding forward contracts as a hedge to energy prices during scheduled outage conditions. Provide the length of time associated with “forward contract purchases for long-term periods” that can be made if energy prices in the forward market appear to be increasing.

149. Refer to the Direct Testimony of John A. Verderame (Verderame Testimony), page 5, lines 21–23, regarding business interruption insurance. Provide an update into Duke Kentucky’s evaluation of these insurance products and whether Duke Kentucky has purchased any business interruption insurance as part of its hedging strategy.

150. Refer to the Verderame Testimony, page 7, lines 4–8, regarding the recovery of replacement power costs during scheduled outages through the fuel adjustment clause (FAC). Confirm that Duke Kentucky limits recovery of replacement power costs through the FAC incurred during scheduled outages to the cost of its own highest-cost generating unit.

151. Refer to the Verderame Testimony, page 7, lines 8–16, regarding risk mitigation associated with forced outages. Explain in more detail Duke Kentucky’s risk mitigation strategy for minimizing exposure of energy prices during a forced outage event by the use of short-term financial products.

152. Refer to the Verderame Testimony, page 11, lines 7–19, regarding the need to diversify Duke Kentucky’s generation portfolio to meet the increasing load demand. To the extent that load growth also increases projected peak demand, explain how diversifying the current generation portfolio with solar generation resources combined with storage technology will address increasing peak demand.

153. Refer to the Verderame Testimony, page 15, lines 13–15. Explain why Duke Kentucky utilizes virtual transactions to hedge generator performance risk during startup.

154. Refer to the Verderame Testimony, page 20, lines 2–4, regarding the statement that “If the real-time LMP is below a unit’s marginal cost of energy, PJM will likely reduce output, or possibly delay or cancel a unit startup.” Identify the instances in which PJM would not reduce a committed unit’s output, or delay or cancel that unit’s startup, when the real-time LMP is below that unit’s marginal energy cost.

155. Refer to the Verderame Testimony, page 24, lines 8–12. Provide a copy of Duke Kentucky’s FRR plan that was submitted in 2019.

156. Refer to the Direct Testimony of William Don Wathen, Jr. (Wathen Testimony), page 6, line 17 through page 7, line 20.

a. Since bonus depreciation for public utilities was eliminated, explain whether Duke Kentucky has increased or anticipates increasing the extent to which it

expenses “repairs” for tax purposes while capitalizing the same expenditures for book purposes.

b. State whether and, if so, describe how the timing differences arising from expensing items for tax purposes while capitalizing them for book purposes are reflected in rates and rate base, including where the rate base effects are reflected in Duke Kentucky’s schedules and workpapers.

157. Refer to the Wathen Testimony, page 17, lines 6-11. Explain why this revision does not require a change to the Rider FAC tariff given the fact that the tariff outlines how the Rider FAC rate will be calculated

158. Refer to the Wathen Testimony, Attachment WDW-1, and Duke Kentucky’s monthly Environmental Surcharge report format ES Form 3.00.

a. Explain why Duke Kentucky’s proposed FAC reporting formats only report the 12-month average and not the monthly inputs.

b. Assume that an error, which affects the 12-month average, is discovered outside of a six-month or two-year review. Explain whether, and if so, how Duke Kentucky would alter its reporting formats and formulas to show corrections to the 12-month average.

159. Refer to the Wathen Testimony, page 19, lines 15–20.

a. Identify what, if any, portion of the revenue generated from selling ancillary services derived from Duke Kentucky’s proposed battery storage pilot into PJM’s wholesale market Duke Kentucky contends would be “[f]uel costs (F)” as that term is used in 807 KAR 5:056, Section 1(3), and explain each basis for the response.

b. Identify what, if any, portion of the costs incurred in operating the proposed battery storage pilot or selling ancillary services derived from the proposed battery storage pilot into PJM's wholesale market Duke Kentucky contends would be "[f]uel costs (F)" as that term is used in 807 KAR 5:056, Section 1(3), and explain each basis for the response.

c. Describe the revenue and expense items arising from Duke Kentucky's participation in the PJM market, if any, that Duke Kentucky currently recovers through its Rider FAC other than those PJM billing line items identified in Duke Kentucky's Rider FAC.

160. Refer to the Wathen Testimony, page 20. Explain how the amortization of the regulatory assets was treated in the base period and the forecasted test period.

161. Refer to the Wathen Testimony, page 20, line 9 through page 21, line 10. Provide the amount in the deferral for planned outages and annual expenses for replacement power not recovered in the Rider FAC as of the most recent historical month.

162. Refer to the Direct Testimony of Danielle L. Weatherston (Weatherston Testimony), page 7, lines 1–5. Explain why a carrying charge of Duke Kentucky's cost of long-term debt is appropriate for the proposed deferral of major storm restoration expenses above or below the amount included in base rates. Include in the explanation any prior examples of Duke Kentucky or any investor-owned utility that has been authorized to accrue carrying costs on storm damage restoration deferrals.

163. Refer to the Weatherston Testimony, page 7. Explain why a carrying charge of Duke Kentucky's cost of long-term debt is appropriate for the proposed deferral of O&M costs associated with the proposed EV Pilot programs. Include in the explanation

a discussion of whether, and if so, how, Duke Kentucky proposes to include revenues or expenses from the EV Pilot programs in Rider PSM.

164. Refer to the Direct Testimony of James E. Ziolkowski (Ziolkowski Testimony), page 6, line 14. Mr. Ziolkowski recommends adopting the Average 12 Coincident Peak methodology over the Average and Excess methodology and Production Stacking methodology. Explain if Duke Kentucky would consider blending the three demand methodologies.

165. Refer to the Ziolkowski Testimony, page 16, lines 4–10, discussing the technical and regulatory barriers to Duke Kentucky’s ability to bill all customers based on demand. In the absence of any technical barriers (i.e., residential customers having demand meters), identify the regulatory barriers that would inhibit Duke Kentucky from proposing a three-part rate that would include the following components: demand, energy, and customer.

166. Refer to the Ziolkowski Testimony, page 19, lines 12–15.

- a. Explain why the minimum size method was used to allocate poles, conductors, and transformers rather than the zero-intercept method.
- b. Provide the zero-intercept model for each property class.

167. Refer to the Ziolkowski Testimony, page 25, lines 18–20. Duke Kentucky states that the proposed rate increase for the water pumping rate class was added to the proposed revenues for Rate DS.

- a. Explain why Duke Kentucky placed this rate increase on Rate DS.

b. According to the WP FR-16(7)(v), the water pump rate class is being subsidized. Explain why Duke Kentucky is not proposing to reevaluate these special contracts.

168. Confirm that Duke Kentucky has not included any penalty payments, as recorded in FERC account 426.3, in the operating expenses included in its forecasted test year. If this cannot be confirmed, provide the location and amounts of any penalty payments, as recorded in FERC account 426.3, in the operating expenses included in its forecasted test year. Refer Duke Kentucky's response to Staff First Data Request, Item 54, Staff-DR-01-054_Attachment_-_JLK2.xlsx.

- a. Provide support for the real discount rate of 5.18 percent.
- b. Provide support for the After-Tax WACC of 6.52 percent.
- c. Provide support for the 2.50 percent inflation rate.
- d. Regarding the LFCF (EOY Convention):
 - (1) Explain what LFCR represents.
 - (2) Provide support for the Nominal LFCR calculation of 8.47 percent.
- e. Provide support for the LFCR (EOY Convention) calculation of 7.23 percent.
- f. Provide support for the 2018 CT Direct and AFUDC costs of \$614.20.
- g. Provide support for the Fixed O&M of \$3.59.
- h. Provide a revised Excel spreadsheet with supporting calculations and all formulas unprotected and all rows and columns fully accessible.

169. Refer to Duke Kentucky's response to Staff's First Request, Item 54, STAFF-DR-01-054_Attachment_-_KPSC_Elec_SFRs_-_2019.xlsx at tab "WPB-6's."

a. Describe the timing differences that resulted in the deferred tax assets reflected in Account 190 on line 144 of the spreadsheet.

b. Describe the timing differences that resulted in the deferred tax liabilities reflected in Account 282 on line 146 of the spreadsheet.

c. Describe the timing differences that resulted in the deferred tax liabilities identified as "Liberalized Depreciation" on line 147 of the spreadsheet, and explain why those deferred tax liabilities are represented separately from other liabilities recorded in Account 282 as shown on line 146 of the spreadsheet.

d. Describe the timing differences that resulted in the deferred tax liabilities reflected in Account 283 on line 148 of the spreadsheet.

e. Confirm that "March 2018" as stated in column F, lines 95 and 96 of the spreadsheet should state "March 2020," and if it cannot be confirmed, explain why.

f. Explain how Duke Kentucky performed its pro-rata calculations shown on lines 151 through 154 and lines 161 through 164 of the spreadsheet.

g. Explain why Duke Kentucky contends that its pro-rata calculations shown on lines 151 through 154 and lines 161 through 164 of the spreadsheet are consistent with the normalization requirements of 26 U.S.C.A. § 168 and 26 C.F.R. § 1.167(l)-1.

170. Refer to Duke Kentucky's response to Staff's First Request, Item 54, STAFF-DR-01-054_Attachment_-_KPSC_Elec_SFRs_-_2019.xlsx at tab "Sch_B1," tab "Sch_B6," and tab "Sch_D1." Explain what the amounts in cells AA297 and AA302 of

“Sch_D1” represent, and explain why those amounts are subtracted from deferred income taxes in “Sch_B6” to obtain the total deferred income taxes removed from rate base as shown in the formula for cell I36 of “Sch_B1.”

171. Refer to Duke Kentucky’s response to Staff’s First Data Request, Item 55, spreadsheet STAFF-DR-055_Attachment_-_DEK_Electric_COSS_2019_Maros_Disabled.xlsx.

a. Refer to the CustomerCharge tab.

(1) Given the cost-of-service-study (COSS) supported a customer charge of \$22.10 for Rate DS Secondary Distribution, explain why Duke Kentucky is proposing to reduce the current customer charge for single-phase service from \$17.14 to \$15.00 and reduce triple-phase service from \$34.28 to \$30.00.

(2) Given the COSS supported a customer charge of \$57.50 for Rate DT Secondary Distribution, explain why Duke Kentucky is proposing to increase the customer charge from \$63.50 to \$65.00.

(3) Given the COSS supported a customer charge of \$24.05 for Rate EH, explain why Duke Kentucky is proposing to reduce the current customer charge from \$17.14 to \$15.00.

(4) Given the COSS supported a customer charge of \$23.00 for Rate SP, explain why Duke Kentucky is proposing to reduce the current customer charge from \$17.14 to \$15.00.

b. Refer to the Minimum Size Summary tab. Provide a side by side comparison of the customer and demand allocations for each property class in the instant case and Case No. 2017-00321.

c. Refer to the WF FR-16(7)(v) Rate Incur tab.

(1) Duke Kentucky is recommending a five percent decrease in the inter-class subsidization. In Duke Kentucky's last base rate case, Case No. 2017-00321, Duke Kentucky proposed a 10 percent decrease in the inter-class subsidization. Explain why Duke Kentucky is proposing a smaller reduction in the inter-class subsidization in the instant case.

(2) Explain if the removal of credit card fees is accounted for in the miscellaneous revenues.

172. Refer to Case No. 2017-00321, Rebuttal Testimony of Lisa Bellucci (Bellucci Rebuttal), including Attachment LMB – Rebuttal 1, and refer to STAFF-DR-01-054_Attachment_-_KPSC_Elec_SFRs_-_2019.xlsx at tab “WPB-6’s” produced in response to Staff’s First Request, Item 54 in this matter.

a. Explain each reason why the total protected excess ADIT balance in May 2019, as shown on tab “WPB-6’s,” at Excel line 59, column F of the spreadsheet increased as compared to the total protected excess ADIT balance shown on Attachment LMB – Rebuttal 1.

b. Explain each reason why the total unprotected excess ADIT balance in May 2019 as shown on tab “WPB-6’s” at excel line 60, column F of the spreadsheet decreased as compared to the protected excess ADIT balance shown on Attachment LMB – Rebuttal 1 at a rate faster than the amortization rate approved in the Commission’s final order in Case No. 2017-00321.

c. Confirm that the rate of amortization of excess protected ADIT permitted using the average rate assumption method is dynamic and will generally

change annually based on whether and the extent to which the timing differences that generated the excess protected ADIT are reversing as indicated on page 5, line 16 through page 6, line 4 of the Bellucci Rebuttal, and if it cannot be confirmed, please explain each reason why it cannot be confirmed.

d. Explain why the amortization rate for protected excess ADIT for electric operations shown on tab “WPB-6’s” remains constant at \$36,580 per month from May 2019 through March 2021.

e. Explain why Duke Kentucky used an amortization rate for protected excess ADIT for electric operations of \$36,580 per month for May 2019 through December 2019 on tab “WPB-6’s” but Attachment LMB – Rebuttal 1 to the Bellucci Rebuttal calculated an estimated amortization rate of \$1,406,984 per year (or \$117,248.67 per month) for protected excess ADIT for electric operations in 2019 using the average rate assumption method.

f. Explain how Duke Kentucky calculated the amortization rate as shown on tab “WPB-6’s” for protected excess ADIT in the base and forecasted periods, and provide workpapers showing the calculations in excel spreadsheet format with formulas intact.

g. If Duke Kentucky used any method other than the average rate assumption method to calculate the amortization rate for protected excess ADIT as shown on tab “WPB-6’s”, explain why Duke Kentucky used a method other than the average rate assumption method and provide the amortization rate for excess ADIT in the base and forecasted periods using the average rate assumption method.



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cc: Parties of Record

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