

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  
ON REHEARING TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. (Duke Kentucky), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on August 3, 2020. The Commission directs Duke Kentucky to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. All responses 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

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

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 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 Third Request for Information, Item 5. For each component of the Levelized Fixed Cost Rate, explain why customers choosing to pay for additional facilities monthly should be responsible for

each component, and explain why a customer choosing to pay upfront for additional facilities should not be responsible for each component.

2. Refer to Duke Kentucky's response to Commission Staff's First Rehearing Request for Information (Staff's First Rehearing Request), Items 2 and 5(c), Attachment 2.

a. Explain why the capital budget does not include "Capital Challenge" amounts while the capital additions do include "Capital Challenge" amounts.

b. Refer also to Duke Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 8, Attachment. Confirm that "Capital Challenge" is budgeted at \$5 million per calendar year. If this cannot be confirmed, provide the "Capital Challenge" amount budgeted for 2019 and 2020.

3. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 2, Attachment. Using the same format, provide the forecasted Construction Work in Progress (CWIP) amounts at December 31, 2019, and December 31, 2020.

4. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Items 4 and 5(c), Attachment 2, Duke Kentucky's response to Staff's Second Request, Items 6 and 7, and the application, Schedule B-2.2, pages 1 and 2 of 2. Explain why the adjustments to remove assets recovered through Duke Kentucky's Environmental Surcharge Mechanism (ESM) are included in Account 311 if Duke Kentucky included the additions during the base and forecasted period in "Completed Construction Not Classified."

5. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 7.

a. Explain how Duke Kentucky forecasted Allowance for Funds Used During Construction (AFUDC) amounts included in plant in service during the base and forecasted test periods.

b. Explain how Duke Kentucky forecasted CWIP amounts during the base and forecasted period.

c. Provide the ratio of debt and equity used to compute AFUDC in the base and forecasted test periods.

d. Provide the average CWIP balance in 2018 and in 2019 used to calculate the AFDUC balance attributable to normal recurring construction for each of those years as shown in the table attached at Tab 27 of the Application.

e. Provide an Excel spreadsheet, unlocked with formulas intact, showing how AFDUC balances attributable to normal recurring construction in 2018 and 2019, as shown in the table attached at Tab 27 of the application, were calculated from the average CWIP balance for normal recurring construction in each of those years.

6. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 8. Using the same format, provide the CWIP balance as of December 31, 2019.

7. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 9. Explain the advantages and disadvantages to a customer of choosing the monthly payment option for additional facilities over paying for the additional facilities upfront or taking service under Rate OL-E.

8. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 9. Indicate whether Duke Kentucky would inform customers of all options available

to them to pay for any necessary additional facilities when they apply for service, including the advantages and disadvantages of each, if the original proposal is approved as filed.

9. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 11. If the original proposal was approved as filed, indicate whether a customer could pay part of the costs of the additional facilities upfront in order to lower their monthly payment.

10. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 11. Indicate any other monthly charges customers who chose to pay for the additional facilities upfront or through the monthly payment option would be responsible for under Rate LED.

11. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 13. Under the original proposal, if the additional facilities are replaced, indicate whether the customer's monthly payment amount would be adjusted. If so, indicate how it would be adjusted. If not, explain why not.

12. Explain how the monthly payment option for additional facilities under Rate LED is reflective of the costs associated with choosing that option.

13. Explain how customers choosing to pay for additional facilities under Rate LED under the monthly payment option would not be overpaying for the additional facilities compared to a customer choosing to pay for the additional facilities upfront.

14. Refer to Duke Kentucky's response to Staff's First Rehearing Request, Item 14, STAFF-RHDR-01-014\_Attachment.xlsx.

a. Refer to tab Proposed Rates.

(1) Provide support for the 3.73 percent adder for minor materials.

(2) Provide support for the 11.00 percent adder for Stores, Freight, and Handling.

(3) Provide support for the 0.3 labor time.

(4) Provide support for the 0.4 set up overheads time.

(5) Provide support the 24.14 percent fleet indirect adder.

(6) Provide support for the 36.41 percent management and supervision adder.

b. Refer to Tab LFCR per Order. Provide support for the Federal and State Composite Income Tax Rate.



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DATED     JUL 17 2020    

cc: Parties of Record

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