

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 POST-HEARING 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 March 6, 2020. 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 Duke Kentucky's response to Commission Staff's Third Request for Information (Staff's Third Request), Item 27, and the Attorney General's First Request for Information (Attorney General's First Request), Item 81.

a. Explain the change in the treatment of credits related to Loss on Sale of Accounts Receivable and explain how that change affects the cost-of-service study (COSS) results.

b. Provide a revised COSS that incorporates credits related to Loss on Sale of Accounts Receivable in Customer Accounting Expenses in account 903250, to reflect the same treatment that these credits were given in Case No. 2017-00321.¹

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 Approvals and Relief* (Ky. PSC Apr. 13, 2018).

2. Duke Kentucky's response to the Attorney General's First Request, Item 33, calculated the increase in the forecasted test-year depreciation expense exclusively from the proposed depreciation rates, i.e., the plant values remained constant. That increase was \$7.4 million. Duke Kentucky's base period depreciation expense was \$46.5 million and its forecasted test-year expense was \$58 million, a difference of \$11.5 million. Please explain how the change in rates accounts for 65 percent of the proposed increase if most of the increase is due to large capital additions at Duke Kentucky's generating facilities.

3. Provide the final design of the Revert to Owner program and the language Duke Kentucky will include in its tariff once the proposed program is implemented.

4. Provide the proposed tariff language for the Automatic Landlord program.

5. Provide a sample of the detailed bill format reflecting the language indicating how a customer would opt in to the condensed bill format.

6. Provide a sample of how the detailed and condensed bill formats would look if the Commission approves Duke Kentucky's request for a waiver from 807 KAR 5:006, Section 7(1)(a)3.

7. With respect to Duke Kentucky's East Bend generation facility's coal combustion residual landfills, provide the following information and documents:

a. A breakdown of all costs incurred by Duke Kentucky to acquire fly ash for East Bend from other entities in the last five years, including the cost, if any, of the fly ash itself and any cost for transporting the fly ash to East Bend;

b. A breakdown of any revenue that Duke Kentucky has received for taking fly ash to its East Bend landfills in the last five years;

c. A list of the entities that supply or have supplied Duke Kentucky with fly ash for East Bend in the last five years;

d. The amount of fly ash that has been taken from each such entity in each of the last five years;

e. An explanation of the amount of fly ash that Duke Kentucky is contractually obligated to take from any entity for placement in East Bend's landfills; and

f. A copy of the contracts with each such entity related to fly ash taken or to be taken to East Bend.

8. Explain whether the costs incurred to acquire sufficient fly ash for East Bend to produce Poz-o-tec, including all costs identified in response to Item 6 herein, were included in the total estimated cost of the proposed project approved in Case No. 2016-00398.²

9. Provide an updated Schedule J that reflects the most current forward curve long-term and short-term interest rates.

10. Provide copies of any correspondence in which Duke Kentucky or its affiliates have requested usage data from Electric Vehicle Charging Station providers and the response from those providers.

11. Refer to the Direct Testimony of Ash Norton, page 5, in which she indicated that localized load growth on specific circuits has driven capital spending on transmission and distribution projects.

² Case No. 2016-00398, *Electronic Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Company to Close the East Bend Generating Station Coal Ash Impoundment and for All Other Required Approvals and Relief* (Ky. PSC June 6, 2017).

a. Provide a list of all customers that are contributing to the localized load growth referred to by Ms. Norton, the dates on which each of those customers began receiving service or on which they are expected to begin receiving service; and the load or anticipated load of those customers.³

b. For each such customer, identify and describe the circuits from which they receive or will receive service from Duke Kentucky; explain how each such circuit was or will be upgraded to serve that customer; explain why the upgrade was or is necessary; and identify the cost of each such upgrade (if a Certificate of Public Convenience and Necessity has been obtained or requested simply refer to and identify the case associated with the customer's load).

c. For each such customer, state whether revenue associated with their increased load was included in the forecasted test period; identify the months of the test period for which revenue from their load was included; and describe in detail how Duke Kentucky estimated the revenue from their load in the test period.

12. Refer to the application, Volume 1, Tab 22. Provide a breakdown of the projected capital spending shown for new load as compared to replacement of existing facilities in the ordinary course of business.

13. a. Provide the cost differential for placing new distribution facilities underground as compared to placing them overhead.

b. Provide the cost differential for replacing existing overhead distribution facilities with underground facilities as compared to replacing them with overhead facilities.

³ For the purpose of responding to this request, Duke Kentucky may describe a single development, such as the Marydale Business Park, collectively.

c. Identify the amounts spent in each of the last five calendar years to replace existing overhead facilities with underground facilities.

d. Identify the number of miles of overhead facilities that were replaced with underground facilities in each of the last five calendar years.

14. State whether Cinergy Receivables, LLC imposes a finance charge for collection of account receivables for Duke Kentucky. If so, identify the finance charge rate that is imposed.

15. Refer to the Setser Rebuttal Testimony, page 4, lines 10–12, addressing the Attorney General’s witness, Mr. Lane Kollen’s, recommendation for a downward adjustment related to the cost of capital of Duke Energy Business Service (DEBS) and stating that no adjustment is necessary because, among other things, “no return component related to DEBS was actually included in the test year revenue requirement.” State whether the \$914,966 inadvertently excluded from Account 931008 in the test period is the return on DEBS assets. If not, state what was included in that amount.

16. Refer to Duke Kentucky’s to AG-1-50(c), Attachment. The cost of capital used to calculate Duke Kentucky’s return portion of Property Plant and Equipment, Prepaid Pension Assets, and Inventory was 8.46 percent, which differs from the cost of capital that Duke Kentucky proposes in this proceeding. Explain how the cost of capital component is set for the return on the DEBS plant that is allocated to Duke Kentucky and explain why the 8.46 percent cost of capital differs from that proposed in the rate case.

17. Refer to the Setser Rebuttal Testimony, pages 5 and 6, which discusses how DEBS income tax expense is recovered from Duke Kentucky. Explain whether the Property Plant and Equipment that Duke Energy allocates to Duke Kentucky for cost of

capital recovery includes the accumulated deferred income tax assets or liabilities related to temporary differences for that property. If not, confirm that DEBS collects tax expense through the equity component of the cost of capital at the statutory tax rate, without regard for the deferred taxes balance.

18. Provide where in the filed COSS the rates found in Rate RTP are supported.

19. Provide the additional language that Duke Kentucky would include in its tariff for the Usage Alert, Outage Alert, and Pick Your Own Due Date programs if directed to do so by the Commission.

20. Refer to the Application, Volume 12, Schedule L-1, page 126 of 172, paragraph C. Duke Kentucky is proposing to add language under its Charge for Reconnection of Service tariff sheet. The last sentence of paragraph C states: "At the Company's discretion particularly dangerous or repeated instances of tampering may result in the customer being required to take service under Rider AMO and being subject to the charges associated with that rider."

a. State how residential customers will be notified that they will be placed under Rider AMO under this proposal.

b. State whether, and if so how, residential customers that are placed under Rider AMO under this proposal will have a way to transition off of Rider AMO.

21. Explain whether Duke Kentucky monitors its system's frequency regulation independently of PJM Interconnection, LLC.

22. Provide the date that Duke Kentucky first contracted to sell its receivables to Cinergy Receivables, LLC.

23. Refer to Duke Kentucky's response to Commission Staff's Third Request for Information, Item 5(b), regarding Rate LED customers who elect to pay the cost of any additional facility investment on a monthly basis rather than an up-front payment.

a. Identify the additional facility investment components and provide the useful life for each component.

b. Explain how Duke Kentucky will ensure that Rate LED customers who elect to pay the cost of any additional facility investment on a monthly basis will not be overcharged beyond the actual cost of such an investment.

24. Indicate whether Duke Kentucky has been annually filing with the Commission supporting data used to determine the estimated average cost differential between providing underground facilities and providing overhead facilities as required by 807 KAR 5:041, Section 21(5)(c). If so, indicate when the last five filings have been made. If not, explain why not.

25. Given that Duke Kentucky estimated the rate at which excess protected accumulated deferred income taxes (ADIT) may be amortized to reduce rates in the forecasted test period by using the historical 2018 average rate assumption method (ARAM) rate and has been unable or unwilling to calculate the actual ARAM rate for the forecasted test period, explain whether Duke Kentucky contends that it would be unreasonable or would violate federal normalization rules for the Commission to calculate Duke's revenue requirement in the forecasted test period using the amortization rates for protected and unprotected excess ADIT proposed by Duke Kentucky while requiring Duke Kentucky to account for the total amount amortized (i.e., the sum of the protected and unprotected excess ADIT amortized during the forecasted test period) by first attributing

it to the amortization of excess protected ADIT to the extent permitted by ARAM in each year, calculated when Duke Kentucky has the information to do so for each year, and attributing the remainder to excess unprotected ADIT until new base rates are established in a subsequent base rate case.

26. Provide a monthly breakdown of 2019 payroll expense segregated by union and non-union.

27. Refer to Duke Kentucky's response to Staff's Second Request, Item 30, Attachment 11. Explain why the portions of this contract that do not relate to Duke Kentucky are redacted. Provide a completely unredacted copy of this contract.



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DATED FEB 24 2020

cc: Parties of Record

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