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 NATURAL GAS RATES; 2) APPROVAL OF NEW TARIFFS, AND 3) ALL OTHER REQUIRED APPROVALS, WAIVERS, AND RELIEF	)))))	CASE NO. 2021-00190

O R D E R

Duke Energy Kentucky, Inc. (Duke Kentucky) filed an application on June 1, 2021, requesting to increase its natural gas base rate revenue[1] by $15,228,161, or 13.66 percent, along with approval of new tariffs and changes in the terms of tariffs for natural gas service. Duke Kentucky's application was supported by a forecasted test period from January 1, 2022, through December 31, 2022.

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is an intervenor in this proceeding. Pursuant to a procedural schedule established on June 9, 2021, and amended on July 1, 2021, Duke Kentucky filed direct and rebuttal testimony, and responded to multiple rounds of discovery. The Attorney General responded to one round of discovery and filed direct testimony. The parties entered into a Joint Stipulation and Recommendation (Joint Stipulation) that resolved all pending issues in this proceeding. A formal hearing was held on October 18, 2021. Duke Kentucky responded to post-hearing discovery. Duke

[1] Duke Kentucky's last general rate increase for its natural gas operations was granted in 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).

Kentucky and the Attorney General filed post-hearing briefs. This matter now stands submitted for a decision.

LEGAL STANDARD

Pursuant to KRS 278.030(1), the Commission's statutory obligation when reviewing a rate application is to determine whether the proposed rates are "fair, just and reasonable." Even though Duke Kentucky and the Attorney General have filed a Joint Stipulation that purports to resolve all of the issues in the pending application, the Commission cannot defer to the parties as to what constitutes fair, just and reasonable rates. The Commission must review the record in its entirety, including the Joint Stipulation, and apply its expertise to make an independent decision regarding the amount and categories of rates, including terms and conditions of service, that should be approved. To satisfy its statutory obligation, in this case, the Commission has performed its traditional ratemaking analysis, which consists of reviewing the reasonableness of each revenue and expense adjustment proposed or justified by the record, along with a determination of a fair return on equity (ROE).

JOINT STIPULATION

The Joint Stipulation reflects the proposed agreement of Duke Kentucky and the Attorney General to resolve all issues associated with the pending application. A summary of the provisions contained in the Joint Stipulation is as follows:

- Duke Kentucky's revenue requirement is $121,059,033. This represents a total natural gas base revenue increase of $9,360,374, or 8.4 percent. The adjustments the parties agreed upon and resulted in the settled amount is shown in Attachment A to the settlement and is restated in the table below:

	Settlement Agreement
Duke Kentucky Requested Increase	
Required Revenue Increase Based On Original Filing	$ 15,228,161
Effects on Increase from Rate Base	
Reduce Working Capital for 50% of Construction Accounts Payable	(221,143)
Reflect Rate Base Effects of Deferring and Amortizing CIS Developmental Costs	57,479
Reflect Rate Base Effects of Changing Customer Connect Depreciation Rates	2,011
Effects on Increase from Expense Adjustments	
Increase Commercial Gas Transportation Revenue	(245,391)
Defer and Amortize CIS Developmental Costs to be Incurred in Test Year	(1,740,133)
Remove Payroll Taxes Related to Duke Kentucky's Incentive Compensation Adjustment	(44,716)
Exclude 50% of STIP Expense Tied to Circuit Breaker EPS	(179,318)
Reduce 401(k) Matching Costs for Employees Who Also Participate in Defined Benefit Plan	(220,637)
Remove SERP Expenses	(33,992)
Remove AGA and INGAA Dues	(55,110)
Modify Depreciation Expense for Customer Connect Plant in Service	(60,750)
Effects on Increase from Rate of Return	
Duke Kentucky Financing Adjustments	(107,169)
Adjustment to Reflect Duke Kentucky's Update to Interest Rates for Projected Issuances	(79,034)
Adjust Interest Rate for Projected September 2022 Issuance Using Company's Methodology	(9,298)
Reflect Reduction of ROE from 10.30% to 9.375%	(2,930,586)
Total Adjustments to Company's Proposed TY Base RR	(5,867,787)
Adjusted Increase to Base Rates	$ 9,360,374

- Duke Kentucky’s natural gas revenue requirement will be calculated using the rate base approach. The 13-month average rate base for the forecasted test period is $466,486,600.
- Duke Kentucky’s authorized ROE is 9.375 percent.
- Duke Kentucky’s authorized ROE for natural gas capital riders is 9.3 percent.
- Duke Kentucky’s long-term debt rate included in the cost of capital is 3.656 percent.
- Duke Kentucky’s short-term debt rate included in the cost of capital is 1.667 percent.

- Duke Kentucky’s capital structure is 51.344 percent equity, 46.039 percent long-term debt, and 2.617 percent short term-debt.
- Duke Kentucky’s Weighted Average Cost of Capital (WACC) is 6.541 percent.
- Duke Kentucky will reduce its Working Capital for Construction Accounts Payable, which reduces Duke Kentucky’s revenue requirement by $221,143.
- Duke Kentucky’s non-developmental Customer Connect and CMS O&M expense will be normalized, and a regulatory asset created and included in rate base to defer and amortize the developmental Customer Connect and retired CMS O&M expense. The deferral and amortization of the regulatory asset increases Duke Kentucky’s revenue requirement by $57,479. Normalizing the expense decreases Duke Kentucky’s revenue requirement by $1,740,133.
- Duke Kentucky will adjust payroll taxes related to Duke Kentucky’s incentive compensation adjustment, which reduces Duke Kentucky's revenue requirement by $44,716.
- Duke Kentucky will exclude 50 percent of the short-term incentive plan expense, which reduces Duke Kentucky’s revenue requirement by $179,318.
- Duke Kentucky will exclude 401k matching costs for employees who also participate in a defined benefit plan, which reduces Duke Kentucky’s revenue requirement by $220,637.
- Duke Kentucky will remove the supplemental employee retirement plan (SERP) expense, which reduces Duke Kentucky’s revenue requirement by $33,992.

- Duke Kentucky will exclude the association dues for the American Gas Association and Interstate Natural Gas Association of America, which reduces Duke Kentucky's revenue requirement by $55,110.
- Duke Kentucky will reduce the depreciation expense for Customer Connect plant in-service, which reduces Duke Kentucky's revenue requirement by $60,628.
- Duke Kentucky will update forecasted interest expense, which reduces Duke Kentucky's revenue requirement by $79,034 and adjust the interest rate for a projected September 2022 issuance, which reduces Duke Kentucky's revenue requirement by $9,298.
- Duke Kentucky will update the capital structure for certain recent changes in financing plans for Duke Energy Kentucky, with reduces Duke Kentucky's revenue requirement by 107,169. As a result of this change, the revised test period capital structure is as follows:
  - Common Equity of $861,861,344 or 51.344 percent
  - Long-Term Debt of $772,830,214 or 46.039 percent
  - Short-Term Debt of $43,936,209 or 2.617 percent
- Duke Kentucky will increase the commercial natural gas transportation revenue, which decreases revenue requirement by $245,391.
- The Parties agree that Duke Kentucky's proposal for a Governmental Mandate Adjustment mechanism (Rider GMA) is modified as follows:
  - The name of the Rider shall be changed to the Pipeline Modernization Mechanism (PMM).

- Duke Kentucky withdraws its request to include changes related to state or federal corporate tax rate changes.
- Rider PMM is limited to pipeline replacement projects as necessitated by the Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations for pipeline integrity.
- Duke Kentucky's AM07 pipeline replacement is eligible for Rider PMM recovery and will be the first pipeline replacement project included in the Rider, subject to approval of a Certificate of Public Convenience and Necessity (CPCN).
- Rider PMM has an initial term limit of seven years from the date of an Order in this proceeding and is subject to renewal if authorized.
- Rider PMM will be adjusted annually for capital placed into service, with the first adjustment filed no earlier than July 1, 2022 with new rates effective January 1, 2023.
- Rider PMM will use forecasted 13-month average plant in-service balances for purposes of calculating the annual revenue requirement.
- Duke Kentucky will make annual Rider PMM adjustment filings on or before July 1st with rates to be implemented the following January.
- Duke Kentucky will file a CPCN for each phase of the AM07 Replacement project, but is not be required to file a CPCN for Rider PMM projects that qualify as an ordinary extension of the existing system in the ordinary course of business.

- Rider PMM will be calculated as a per-bill monthly charge for residential and general service rates, and based upon a per Ccf charge for transportation rates.
- Rider PMM will be subject to an annual revenue requirement cap of no more than a 5 percent increase in natural gas revenues per year. Any additional capital placed into service that would result in an increase over 5 percent will be eligible for the creation of a regulatory asset and be eligible for amortization in the Duke Kentucky's next natural gas base rate proceeding.
- The Rate of Return (ROR) used for calculating the Rider PMM (and any other capital-related natural gas adjustment mechanism) includes a ROE of 9.3 percent and long-term and short-term debt rates approved in this proceeding.

- The monthly residential natural gas fixed customer charge will increase by $1 from $16.50 to $17.50 per month.
- Duke Kentucky will not file a base rate general rate adjustment for five years, or until a base rate general rate adjustment can be filed with an effective date of January 1, 2026. Duke Kentucky retains the right, at any time, to seek the approval from the Commission for a regulatory asset, emergency rate relief under KRS 278.190(2), and adjustments to cost recovery surcharge mechanisms.
- Duke Kentucky will amortize rate case expense associated with this proceeding for recovery over a five-year period, without carrying charges.

- Duke Kentucky's tariffs, as originally proposed and modified through discovery responses, should be approved.
- The allocation of rates is: (1) a 67.40 percent allocation to Rate RS; (2) a 26.04 percent allocation to Rate GS; (3) a 4.9 percent allocation to Rate FT-Land; and (4) a 1.59 percent allocation to Rate IT.

DISCUSSION AND ANALYSIS

Based upon its review of the Joint Stipulation, the attachments, and the case record including intervenor testimony, the Commission finds that, with the modifications discussed below, the Joint Stipulation is reasonable and in the public interest. The Commission finds that the Joint Stipulation was the product of arm's-length negotiations among knowledgeable, capable parties and should be approved, with the modifications delineated below. Such approval is based solely on the reasonableness of the modified Joint Stipulation as a whole and does not constitute a precedent on any individual issue.

1. Revenue and Expense Adjustments

a. Field Collection Charges. As discussed in the tariff section below, the Commission is disallowing recovery of the Field Collection Charge, which has been charged and collected without prior approval by the Commission. Because this is an unapproved charge, the Commission finds that a corresponding adjustment that reduces the base rate revenue requirement by $684 is necessary.

b. Bad Check Charges. For the reasons discussed in the tariff section below, the Commission is limiting the collection of Bad Check Charges to $5. The Commission finds that a corresponding base rate revenue increase of $14,944 is necessary to reflect the difference between the current and approved Bad Check Charge.

c. Short-Term Incentive Plan (STIP). In the Joint Stipulation, Duke Kentucky agreed to a pro forma adjustment to exclude half the recovery of incentive compensation related to financial metrics in the amount of $179,318.[2] Duke Kentucky stated that if actual earnings per share (EPS) is less than or equal to the EPS "circuit breaker" value, payouts for all measures will be reduced,[3] and the final determination of payouts for all measures, will be reduced and capped at the EPS achievement.[4] Not only are STIP payments made only if the funding metrics, or "circuit breaker," are met, the STIP payment amount is directly tied to the degree to which the predetermined "circuit breaker" EPS value is met in the fiscal year.

In Case No. 2019-00271, the Commission disallowed the portion of STIP that was dependent on EPS financial goals.[5] Here, based on the evidence of record, the Commission finds that the "circuit breaker" is still used as a limiting factor on whether STIP payments are paid and the amount paid, and therefore the STIP is still dependent upon EPS goals being met. For this reason, and consistent with Commission precedent, the Commission finds that Duke Kentucky's incentive compensation that is directly tied to EPS in the amount of $179,318 should be removed from test-year expenses.

d. Rate Case Expenses. Duke Kentucky proposed to increase its test year expenses $70,692 for a five-year amortization of estimated expenses of $353,460, which

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[2] Joint Stipulation, paragraph 7 and Attachment A.

[3] Application, Volume 16, Direct Testimony of Jake J. Stewart (Stewart Testimony) at 18.

[4] Duke Kentucky's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed July 14, 2021), Item 58.

[5] Case 2019-00271, *Electronic Application Of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020), Order at 18 and 19.

would be incurred in relation to this proceeding.[6] On November 4, 2021, Duke Kentucky filed an update to Staff's First Request, Item 12 stating that it had expended $224,969 for rate case expenses through November 2021, which included legal services, consultants' fees for a depreciation study, consultants' fees for Duke Kentucky's rate of return, and employee travel.[7]

The Commission finds that, based on the summaries provided throughout the pendency of this case and a review of the supporting invoices, the amount detailed in Duke Kentucky's November 4, 2021 filing fairly represents the total costs to prepare and fully litigate this proceeding. Therefore, the Commission finds that rate case expense should be reduced to $224,969 amortized over five years, to reflect the actual filed rate case expenses. This adjustment results in a test-year amortization expense of $44,939, which results in a reduction of $25,804 to the revenue requirement after gross up.

2. <u>Request for Regulatory Asset Treatment and Amortization</u>

The parties agreed that the Commission should approve a regulatory asset and the amortization thereof, for the purpose of deferring and amortizing the developmental Customer Connect and retired CMS O&M expense. As the Commission noted in Case 2008-00436:

> A regulatory asset is created when a rate-regulated business is authorized by its regulatory authority to capitalize an expenditure that under traditional accounting rules would be recorded as a current expense. The reclassification of an expense to a capital item allows the regulated business the opportunity to request recovery in future rates of the amount capitalized. The authority for establishing regulatory assets arises under the Commission's plenary authority to regulate

[6] Application, Volume 11, Section D-2.16 Rate Case Expense.

[7] Duke Kentucky's Supplemental Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 8, 2021), Item 12, 2021-00190_2nd_SUPP_Response_to_STAFF _1st_Set.pdf, Attachment A, at 1.

> utilities under KRS 278.040 and the Commission's authority to establish a system of accounts under KRS 278.220. Historically, the Commission has exercised its discretion to approve regulatory assets where a utility has incurred: (1) an extraordinary, nonrecurring expense which could not have reasonably been anticipated or included in the utility's planning; (2) an expense resulting from a statutory or administrative directive; (3) an expense in relation to an industry sponsored initiative; or (4) an extraordinary or nonrecurring expense that over time will result in a saving that fully offsets the cost.[8]

Duke Kentucky maintained that the developmental Customer Connect and retirement CMS O&M expense qualifies for regulatory asset treatment under the numbered criteria four.[9]

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Duke Kentucky's should be authorized to establish a regulatory asset, for accounting purposes only, for the jurisdictional incremental costs for developmental Customer Connect and retirement CMS O&M expense because the costs are extraordinary expenses that over time will result in a saving that offsets the cost. The Commission further finds that Duke Kentucky should be authorized to amortize those amounts in accordance with the Joint Stipulation.

3. ROE

In its application, Duke Kentucky used multiple models to develop its ROE recommendation, including: the Discounted Cash Flow (DCF) model, the Capital Asset

[8] Case No. 2008-00436, *The Application of East Kentucky Power Cooperative, Inc. for an Order Approving Accounting Practices to Establish a Regulatory Asset Related to Certain Replacement Power Costs Resulting from Generation Forced Outages* (Ky. PSC Dec. 23, 2008), Order at 3–4.

[9] Duke Kentucky's Response to Commission Staff's Post Hearing Request for Information (Staff's Post Hearing Request) (filed Nov. 4, 2021), Item 3a.

Pricing Model (CAPM) and the Risk Premium Model (RPM).[10] The models were applied to 55 companies divided into two proxy groups: (a) seven natural gas utilities and (b) forty-eight domestic, non-price regulated companies of comparable risk.[11] Based upon the results of these analyses, Duke Kentucky recommended an ROE of 10.30 percent based upon a range of 9.98 percent to 12.68 percent which included specific additional adjustments for company size, credit risk, and flotation costs.[12]

The Attorney General was the only intervenor to provide expert witness testimony on ROE. The Attorney General's witness provided alternative ROE estimates using both the DCF and the CAPM models as applied to Duke Kentucky's natural gas utility group.[13] The Attorney General's witness relied on the DCF analysis results only to support his recommended ROE, arguing that a considerable amount of judgement must be employed to determine the market return and expected risk premium elements in CAPM.[14] In addition, the CAPM requires a wide variety of data to estimated investor required returns, which leads to wide-ranging results.[15] The Attorney General's witness recommended an ROE of 9.10 percent based upon a range of 8.60 percent to 9.30 percent.[16]

In the Joint Stipulation, Duke Kentucky and the Attorney General agreed that Duke Kentucky's authorized ROE should be 9.375 percent for its natural gas base rates and

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[10] Direct Testimony of Dylan W. D'Ascendis at 3-4, 20, and 37. The RPM model variations employed were the predictive RPM (PRPM) and a total market approach. The CAPM model variations include the empirical CAPM.

[11] *Id*. at 4.

[12] *Id*. at 4–5.

[13] Direct Testimony of Richard A. Baudino at 3.

[14] *Id.* at 25.

[15] *Id*.

[16] *Id.* at 3.

9.30 percent for its natural gas capital riders.[17] The agreed upon ROEs are premised on the totality of the Joint Stipulation and a four-year stay out provision.[18]

The following table presents the as-filed recommended ROEs from Duke Kentucky and the Intervenors and the methods used to support each parties' recommendations:

Party	Range	Recommendation	Methods
Duke Kentucky	9.98% - 12.68%	10.30%	DCF, CAPM, ECAPM, RPM
Attorney General	8.60% - 9.30%	9.10%	DCF, CAPM

Joint Stipulation		
	Base Rates:	9.375%
	Natural Gas Capital Riders:	9.30%

Most recently in Case Nos. 2019-00271,[19] 2020-00174,[20] 2020-00349,[21] and 2020-00350,[22] the Commission explained why it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each

[17] Joint Stipulation, paragraphs 3a–b and 18.

[18] Joint Stipulation Testimony of Sarah Lawler (Lawler Joint Stipulation Testimony) (filed Oct. 8, 2020) at 4; and Joint Stipulation, paragraphs 3b and 3c.

[19] See generally Case No. 2019-00271, *Electronic Application of Duke energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Assets and Liabilities; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr 27, 2020).

[20] See generally Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan 13, 2021).

[21] See generally Case No. 2020-00349, *Electronic Application of Kentucky Utilities Company for an Adjustment of its Electric Rates, A Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC Jun 30, 2021).

[22] See generally Case No. 2020-00350, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, A Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit* (Ky. PSC Jun 30, 2021).

approach has its own strengths and limiting assumptions. As demonstrated in the respective ROE testimonies in this proceeding, there is considerable variation in both data and application within each modeling approach, which can lead to very different results. The Commission's role is to conduct a balanced analysis of all presented models, while giving weight to current economic conditions and trends.

The Commission cautions all parties against unreasonably removing or ignoring "outlier" data due to a subjective perception of being "too high" or "too low". As demonstrated in the case record, there are a number of actions that can be and were taken to account for "outlier" or "unreasonable" data. Result oriented exclusions of data that are not beyond the realm of reasonableness are inappropriate. Results based upon excluded data without adequate support will be given less weight in Commission determinations.

Even though the Commission supports the use and presentation of multiple modeling approaches, the Commission finds that Duke Kentucky's use of the Predictive Risk Premium Model (PRPM) should be rejected. The PRPM model has only been addressed by three regulatory commissions thus far and is not universally accepted.[23] Furthermore, the Commission is concerned about the "blackbox" aspects of the PRPM.

The Commission reiterates that it continues to reject the use of flotation cost adjustments, financial risk adjustments, and size adjustments in the ROE analyses. The Commission will accord most weight to DCF and CAPM analyses based upon regulated company proxy groups. Both the DCF and CAPM are both long standing and well accepted models that model risk and returns both implicitly and explicitly.

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[23] *See* Duke Kentucky's Response to Staff's Second Request, Item 24.

After consideration of the evidence of record, the Commission notes that the Joint Stipulation ROEs fall above what would have been authorized in the absence of a Joint Stipulation agreement. However, based upon the entirety of the Joint Stipulation terms, the Commission finds that an ROE of 9.375 percent for Duke Kentucky's base rates and an ROE of 9.3 percent for its natural gas capital riders is fair, just and reasonable. In reaching its determination, the Commission takes note of its most recent authorized ROE determinations and considered the risk associated with the Joint Stipulation's "stay out" provision.

4. Lead/lag study

Duke Kentucky proposed, and the parties accepted, a cash working capital (CWC) in the amount of $0. Duke Kentucky did not conduct a lead/lag study to determine the CWC amount. The Commission has the statutory authority under KRS Chapter 278 to determine the appropriate method for valuing utility property, including CWC, for ratemaking purposes. To that end, the Commission promulgated 807 KAR 5:001, Section 16(4)(h) and (i), which address the method to be used to determine the appropriate value of utility property for ratemaking purposes. The Commission has long stated that the most accurate way to determine the amount of CWC component of rate base is a lead-lag study. For that reason, the Commission finds that Duke Kentucky should be required to submit a lead/lag study in all general rate cases it files until further Order by the Commission. The expenses incurred in conducting lead/lag studies for future general adjustment in rates matters will be review for recovery in each case as a rate case expense.

5. Revenue Requirement Summary

After considering the pro forma adjustments discussed above, Duke Kentucky's adjusted Required Revenue from base Rates is as follows:

	Commission Adjustments
Increase Stipulated in Settlement Proposal	$ 9,360,374
Adjustment to Miscellaneous Service Revenues for Reduced Field Collection Charge	684
Adjustment to Miscellaneous Service Revenues for Disallowed Bad Check Charge	14,944
Exclude STIP Expense Tied to Circuit Breaker EPS	(179,318)
Decrease Rate Case Expense to Filed Actuals	(25,804)
Required Revenue Increase from Base Rates	$ 9,170,880

6. Cost of Service, Revenue Allocation, and Rate Design

Duke Kentucky applied the average and excess method, also known as the average and peak demand method, for the filed cost of service study (COSS).[24] The average, or sometimes referred to as used capacity, is numerically equal to average deliveries and is the minimum capacity necessary to deliver the total natural gas used. The excess, or unused capacity, is the difference between average and peak capacities. For the allocation of the distribution mains, the minimum system method was applied in the calculation of the customer and demand components.[25] This is the same COSS method Duke Kentucky used in its 2009 and 2018 natural gas rate cases.[26] The results

[24] Direct Testimony of James E. Ziolkowski (Ziolkowski Testimony) at 9.

[25] Duke Kentucky's Response to Staffs Second Request for Information, Item 67.

[26] Case No. 2009-00202*, Application of Duke Energy Kentucky, Inc. for an Adjustment of Rates* (Ky. PSC Dec 29, 2009) and 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).

from the COSS illustrated that Rate GS is the only rate class being subsidized, and the other rate classes over-subsidize at various levels.[27]

Duke Kentucky stated that allocating production plant and other demand related items based upon the average and excess method is a reasonable allocation method because shifts in the system peak will not affect the allocation like they do when using the coincident peak method, the allocation of excess or unused capacity has characteristics similar to the non-coincident demand method, and this method recognizes load-factor.[28] Duke Kentucky also noted that the minimum system method was applied to the allocation of the distribution mains as the zero-intercept method resulted in unreasonable results.[29]

Having reviewed Duke Kentucky's COSS, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted in this Order. However, recently, the Commission expressed its concern about the demand/customer expense allocation for distribution plant classifications and the Commission's preference for the zero-intercept method.[30] Although this concern has been expressed in electric rate cases, the same concept applies to natural gas in that if the zero-intercept analysis does not provide reasonable results, then this indicates little relationship between the amount of costs and the number of customers. The Commission gives substantial weight to the evidence from the COSS that indicates whether certain classes are earning more than other rate classes relative to their cost of service and has required that in instances where the zero-intercept results are not reasonable, to allocate the costs to 100 percent demand.

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[27] Application, Tab 42, FR-16(7)(v)-8, Calculation of Proposed Revenue Distribution, page 1.

[28] Ziolkowski Testimony at 9–10.

[29] Duke Kentucky's Response to Staff's Second Request for Information, Item 67.

[30] *See*, Case No. 2020-00131, *Electronic Application of Meade County Rural Electric Cooperative Corporation for an Adjustment in Rates* (Ky. PSC Sept. 16, 2020), Order at 12.

Accordingly, Duke Kentucky provided an updated COSS where the distribution mains were classified as 100 percent demand and the results indicated that the residential class is subsidizing all other classes.[31]

As a basis for the revenue allocation, Duke Kentucky proposed to eliminate 40 percent of the subsidy/excess revenues between customer classes, based on present revenues.[32] Next, the overall revenue increase was allocated to each customer class based on each customer class's percent of rate base.[33] The sum of the 60 percent of present revenues and the allocated portion of the rate increase results in the totals for each rate class revenue allocation.

The Joint Stipulation maintained Duke Kentucky's proposed COSS results, as originally filed,[34] as well as the proposed subsidy reduction and revenue allocation.[35] For the reasons set forth above regarding the deficiencies of using a minimum system method in COCC, the Commission rejects the COSS that applied the minimum system as a guide and instead approves the use of demand-only allocation of distribution mains COSS.[36] The results of the approved COSS illustrate that Rates GS and IT are both being subsidized and the majority of this subsidization is from Rate RS. However, removing 100 percent of this subsidization results in increases to all non-residential rate classes that are largely in excess of the overall Commission approved rate increase. The

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[31] Duke Kentucky's Response to Staff's Second Request, Item 67, STAFF-DR-02-067_Attachment_-_DEK_Gas_COSS_2021_ero_Intercept.xlsx.

[32] *Id*. and Ziolkowski Testimony at 16.

[33] *Id*.

[34] Expenses and rate or return were updated.

[35] Joint Stipulation, Attachment D.

[36] Duke Kentucky's Response to Staff's Post-Hearing Requests, Item 10.

Commission also recognizes the recent spike in gas costs and realizes that strict adherence to the COSS may not be necessary. Therefore, the Commission will cap the overall increase to each rate class at 1.5 times the overall rate increase or at 12.37 percent, including gas costs. This results in an increase of 12.37 percent for Rates GS, IT and FT, and an increase of 6.28 percent for Rate RS.[37] The above-mentioned modifications will be reflected in the corresponding volumetric charges, and all other rate schedules will remain the same.

7. <u>Rider PMM</u>[38]

In its application, Duke Kentucky requested approval of a governmental mandate adjustment mechanism (Rider GMA) for all natural gas customers to implement and respond to governmental mandates, such as federal or state tax rate changes, and regulations promulgated by the U.S. Department of Transportation, Pipeline and Hazardous Materials Safety Administration (PHMSA). Duke Kentucky asserted that the 2017 Tax Cuts and Jobs Act (TCJA) as well as recent discussions of an increase in the federal tax rate imply that the likelihood of such policy changes are becoming more routine and having a mechanism to respond such as Rider GMA would benefit all stakeholders and ensure that Duke Kentucky is collecting what is required, not more or less.[39]

In the Joint Stipulation, the parties agreed to narrow the scope of the rider to PHMSA matters and revised the name of the rider to Rider Pipeline Modernization Mechanism (Rider PMM). Because the scope of Rider PMM was narrowed to exclude

[37] See Appendix B to this Order.

[38] As discussed below, Duke Kentucky proposed a similar rider with a wider scope. In the Joint Stipulation, Duke Kentucky agreed to a narrower scope and different name for the rider.

[39] Application, paragraph 26.

non-PHMSA-related pipeline replacement, the Commission finds that any discussion of the wider scope regarding broader governmental mandates of the as-filed rider is unnecessary. To avoid confusion, the Commission will refer to the rider as Rider PMM.

Regarding PHMSA, Duke Kentucky claimed that, in recent years, PHMSA's enactment of new regulations and interpretation of existing regulations regarding the safety of the natural gas delivery systems have increased, and that such policy determinations require Duke Kentucky to take action to ensure compliance.[40] Duke Kentucky further claimed that, in order to ensure compliance with PHMSA regulations, Duke Kentucky must test, upgrade, or replace existing infrastructure. Duke Kentucky asserted that Rider PMM is in accordance with KRS 278.509 because the rider would enable Duke Kentucky to timely respond to and timely recover the costs for pipeline replacement projects required in response to new PHMSA regulations.[41] In its application, Duke Kentucky explained that it is not requesting approval of a specific project in this proceeding, but is requesting approval of a mechanism that would allow for Commission-approved costs associated with the replacement of infrastructure due to exiting and forthcoming PHMSA rules, and for these costs to be recovered outside of rate case test years.[42]

The Attorney General's witness, Mr. Lane Kollen, recommended that the Commission reject the rider as originally proposed, explaining that the as-filed rider was overly broad and open ended.[43] Citing the issue of a lack of a sunset provision, Mr. Kollen

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[40] Application, paragraph 27.

[41] Application, paragraph 27. KRS 278.509 allows for Commission approval for the utility to receive recovery of pipeline replacements not currently in base rates.

[42] Application, paragraph 28.

[43] Direct Testimony of Lane Kollen (Kollen Testimony) at 39.

argued that the proposed rider would result in an alternative ratemaking paradigm that will permanently supplement, if not supersede, the existing base ratemaking standard.[44] If the Commission were to approve the as-filed rider, Mr. Kollen proposed several recommendations, including limiting the annual cost and recovery.

As proposed in the Joint Stipulation, Rider PMM is limited to pipeline replacement projects that are necessitated by PHMSA for pipeline integrity. As set forth in the Joint Stipulation, the first eligible project would be the AM07 pipeline replacement, subject to CPCN approval, and would have an initial term of seven years, subject to renewal upon Commission approval. The PMM would be adjusted annually for capital placed in service following the test year in this case. The first adjustment would be filed no earlier than July 1, 2022, with rates effective January 1, 2023. The parties agreed that Rider PMM would be subject to an annual revenue requirement cap of no more than a five percent increase in natural gas revenues per year. Natural gas revenues from this case, including base revenues, gas cost revenues and miscellaneous revenues would be the baseline for measuring this five percent cap. Additional capital that results in an increase over five percent would be eligible for the creation of a regulatory asset. The rate of return attached to Rider PMM includes a 9.3 percent ROE, and long-term and short-term debts as approved in this case.

The AM07 is a 24” transmission line located north of Big Bone near the I-275 corridor in Northern Kentucky. Duke Kentucky termed AM07 as the backbone of Duke Kentucky’s natural gas system[45]. Duke Kentucky plans on replacing 14 miles in sections

[44] Kollen Testimony at 41.

[45] October 18, 2021 Hearing Video Transcript (HVT) at 09:49:38.

over the next seven years at a total cost of $191.2 million.[46] Duke Kentucky explained that the driver of this replacement is the PHMSA "Mega Rule" that went into effect July 2020.[47] The affected pipeline was constructed in the 1950's and is made of vintage materials that are no longer industry standard.[48] Furthermore, the AM07 pipeline cannot be inspected for internal corrosion and records indicate that is does not meet current PHMSA standards for traceable and verifiable and complete records.[49] Construction of the first phase will begin in late 2022. Duke Kentucky anticipates filing a CPCN in late 2021 or early 2022. There are currently 11 high consequence areas on the AM07 pipeline and 10 will be replaced in the 14-mile section. The majority of the AM07 was constructed with A.O. Smith (AOS) pipe which has a history of failures due to hard spots in the pipe body along with failures on the longitudinal seam.[50]

Of the $191.2 million projected costs for the AM07 pipeline, $24.5 million is anticipated to be spent, but not included, in the forecasted test year.[51] Estimated expenditures for 2023 and 2024 are $46.9 million and 41.2 million, respectively.[52] The AM07 pipeline is comprised of AOS pipe.[53] According to the Commission's Division of Inspections, pipe of this vintage was protected with a coal tar epoxy coating and is under cathodic protection and this type of manufactured pipe has a history of developing "hot

[46] Duke Kentucky's Response to Staff's Second Request, Item 11.

[47] Rebuttal Testimony of Sarah E. Lawler at 5.

[48] Duke Kentucky's Post Hearing Brief at 14.

[49] Oct. 18, 2021 HVT at 09:40:56 and 09:48:26.

[50] *Id.* at 09:49:38.

[51] Duke Kentucky's Response to Staff's Second Request, Item 11.

[52] *Id*.

[53] Oct. 18, 2021 HVT at 09:48:26.

spots" over time that can and have led to corrosion and failure, which is supported by Duke Kentucky's leak survey and repair records.[54]

The Commission notes that the purpose of a rider tied to capital investment in the natural gas industry is to address specific problems, such as bare steel or a section of pipe prone to issues, and is often tied to specific directives issued by PHMSA. Although the Commission is not aware of a PHMSA Advisory Bulletin that directs the removal of pipe made of AOS, the Commission recognizes that the AM07 pipeline is a significant and integral part of Duke Kentucky's natural gas system. Further, the Commission recognizes that most of the expenses related to the AM07 pipeline lie outside of the test year.

For the reasons set forth above, and based upon a review of the case record, the Commission finds that Rider PMM should be approved, but our approval is conditional upon Duke Kentucky applying for and receiving a CPCN for the AM07 project. The Commission further finds that Rider PMM should be initially limited to the AM07 project. The Commission cautions Duke Kentucky that Rider PMM should not be viewed as a catch-all for future pipeline replacement projects, and that Duke Kentucky should be selective regarding any future projects that it requests be included in any pipeline replacement rider. The Commission also reminds Duke Kentucky that pursuant to KRS 278.020, it must first seek and obtain a CPCN prior to commencing construction of the AM07 project. Finally, regulatory accounting approval will be considered only on an as-needed basis. For each instance regulatory accounting is requested, Duke Kentucky shall file a formal application.

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[54] Duke Kentucky's Response to Staff's Post Hearing Request for Information, Item 5c.

8. Tariff Issues: Non Recurring Charges

In Case No. 2020-00141,[55] the Commission found that the calculation of non-recurring charges should be revised because only the marginal costs related to the service should be recovered through special nonrecurring charges for service provided during normal working hours. In reaching that decision, the Commission found that personnel are paid for work during normal business hours regardless of whether they are on a field visit or not, and therefore labor costs included in nonrecurring charges that occur during regular business hours should be eliminated.

a. Reconnection Charge. Duke Kentucky proposed to increase its reconnection charge from $75 to $90. As demonstrated by the evidence of record, Duke Kentucky relies on employee and contract labor to perform its reconnections.[56] Duke Kentucky indicated that, generally, contractors perform reconnections on meters smaller than 425 cubic feet per hour while larger meters are handled by Duke Kentucky employees.[57] In this proceeding, because Duke Kentucky relies on contract labor to perform the majority of reconnections and not Duke Kentucky employees, the Commission finds that labor costs should not be removed from the reconnection charge. The Commission further finds that Duke Kentucky's proposal to increase the reconnection charge to $90 is reasonable, as supported by the evidence of record, and should be approved.

[55] Case No. 2021-00141, *Electronic Application of Hyden-Leslie County Water District for an Alternative Rate Adjustment* (Ky. PSC Nov. 6, 2020).

[56] Duke Kentucky's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Aug. 16, 2021), Item 15.

[57] Duke Kentucky's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Sep. 13, 2021), Item 11(b).

b. Bad Check Charge. Duke Kentucky's tariff contains a bad check fee of $11. The fee is charged when a customer tenders a payment that is returned as unpaid by the bank for any reason. Duke Kentucky provided cost support it claimed supported the $11 bad check fee.[58] Duke Kentucky stated that the charge is intended to cover the costs associated with bank assessed fees and to deter customers from making payments from accounts with insufficient funds and maintained that having an economic deterrent to paying with insufficient funds promotes responsibility on the part of the customers and is a generally accepted business practice across all industries.[59] Finally, Duke Kentucky asserted that if bad check revenue were in excess of the actual bank charge Duke Kentucky incurs and includes in operation and maintenance expense, the excess revenue would be recorded in miscellaneous revenues and would offset the total revenue requirement Duke Kentucky requests to recover from all customers, thus benefitting the customers that pay their bills in a timely manner.

807 KAR 5:006, Section 9(2) states that "[a] charge shall relate directly to the service performed or action taken and shall yield only enough revenue to pay the expenses incurred in rendering the service." The regulation is quite clear that non-recurring charges are only meant to recover the actual expenses incurred in rendering the service. There is nothing in the regulation allowing a utility to charge a fee that exceeds the actual expenses incurred as a deterrent. For this reason, the Commission finds that the bad check charge should be reduced to $5.00 based on the cost support

[58] Duke Kentucky's Response to Staff's Second Request, Item 6; Duke Kentucky's Response to Commission Staff's Fourth Request, Item 9.

[59] Duke Kentucky's Response to Staff's Third Request for Information, Item 3(a); Duke Kentucky's response to Staff's Fourth Request for Information, Item 9(a).

provided by Duke Kentucky. As a result, the Commission reduces the test year miscellaneous service revenue by $14,944.[60]

c. Field Collection Charge. Duke Kentucky currently charges a $15 field collection fee that is not included in its tariff. In this proceeding, Duke Kentucky proposed to add the field collection fee to its tariff.[61] The fee is charged when a Duke Kentucky employee makes a field visit to the customer's premises for the purpose of disconnecting service and the Duke Kentucky employee provides the customer a means to avoid disconnection.[62] Several Duke Kentucky witnesses indicated that Duke Kentucky does not charge a disconnect fee if service is actually disconnected.[63] Given that a fee is not charged when service is actually disconnected, the Commission concludes there is no basis to charge a fee when the Duke Kentucky employee provides the customer a means to avoid disconnection. Therefore, the Commission finds that the proposal to add the field collection fee to the tariff is not reasonable and should be denied. As a result, the Commission reduces the test year miscellaneous service revenue by $684.

Since 2009, Duke Kentucky has collected $18,735 in field collection fees despite the fact the fee is not included in the tariff.[64] KRS 278.160(2) states that "[n]o utility shall charge, demand, collect or receive from any person a greater or less compensation for any service rendered or to be rendered than that prescribed in its filed schedules, and no person shall receive any service from any utility for a compensation greater or less

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[60] 54.5% (reduction to bad check charge) multiplied by $27,420 (forecasted bad check charge revenue) = $14,944.

[61] Duke Kentucky's Response to Staff's Third Request for Information, Item 25(d).

[62] Duke Kentucky's Response to Staff's Third Request, Item 25(d).

[63] Oct. 18, 2021 HVT at 10:41:53 and 10:59:20.

[64] Duke Kentucky's Response to Staff's Third Request, Item 25(c)

than that prescribed in such schedules." As Duke Kentucky's tariff does not currently include a field collection fee, Duke Kentucky appears to be in violation of KRS 278.160(2). The Commission will open a separate proceeding to investigate Duke Kentucky's alleged violation of KRS 278.160(2).

d. Late Payment Fee.

Evidence collected in Case No. 2020-00085[65] has challenged the efficiency of late payment charges to certain customers. Therefore, the Commission has recently reviewed utilities' late payment charges during rate cases. In its responses to Commission Staff's requests for information in Case No. 2020-00085, Duke Kentucky provided data indicating that the 2020 on time pay percentage for residential customers increased slightly from the on time pay percentage for previous years.[66]

While the late payment charge is intended to incentivize customer behavior, it must also be cost based in accordance with 807 KAR 5:006, Section 9(2) which states "[a] charge shall relate directly to the service performed or action taken and shall yield only enough revenue to pay the expenses incurred in rendering the service." Duke Kentucky argued that 807 KAR 5:006, Section 9(3)(h), which is specific to the late payment charge, does not require specific cost support, and therefore it would control to the extent there was a conflict between it and 807 KAR 5:006, Section 9(2). Duke Kentucky also cited a previous Commission case in which the Commission recognized that a late payment charge "is a collection mechanism which encourages prompt, timely payment by

[65] Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19.*

[66] Duke Kentucky's Response to Staff's First Request, Item 9; Duke Kentucky's Supplemental response to Staff's First Request, Item 9; and Duke Kentucky's Response to Staff's Second Request, Item 1.

customers" and "is driven by more than merely costs".[67] In that same proceeding, the Commission found Union Light, Heat & Power's late payment charge reasonable.

Although Duke Kentucky argued that a late payment charge is a collection mechanism that encourages prompt, timely payment by customers, the data provided by Duke Kentucky in Case No. 2020-00085 demonstrated that the percentage of on time residential payments increased slightly during the late payment fee moratorium. Therefore, the late payment fee does not appear to have the intended impact on residential customers' behavior. Based on the evidence that a late payment charge does not appear to have the intended impact on residential customers' behavior, the Commission has found that assessing a late payment charge for this reason is unreasonable.[68]

Regarding Duke Kentucky's argument that 807 KAR 5:006, Section 9(3)(h) would control over 807 KAR 5:006, Section 9(2) if there was a conflict because Section 9(3)(h) does not require cost support, the Commission notes that Section 9(3)(a) through (g) also do not specifically mention cost support. Therefore, the Commission is not persuaded by Duke Kentucky's argument.

Notwithstanding the above discussion, based on the case record, including the Joint Stipulation provisions agreed to by parties who represent the interests of residential customers, and the findings below, the Commission will not require Duke Kentucky to remove the residential late payment charge from its tariff in this matter. However, in Duke

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[67] Case No. 1990-00041, *In the Matter of an Adjustment of Gas and Electric Rates of the Union Light, Heat & Power Company* Order at 72–73 (Ky. PSC Oct. 2, 1990).

[68] See Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief* (Ky. PSC Jan. 13, 2021).

Kentucky's next general rate case, both electric and gas, the Commission finds that Duke Kentucky should file formal cost support for the appropriate residential late payment charge in accordance with Commission regulations.

The Commission also finds that Duke Kentucky should add a provision to its tariff to waive late payment charges for residential customers who receive a pledge or notice of low-income assistance from an authorized agency. This is already required of water utilities in accordance with KRS 278.0154(6) and the Commission believes this is a good practice for gas utilities to follow. Due to not having any billing determinants for the number of waivers, the Commission finds that Duke Kentucky should be granted approval, for accounting purposes only, for a regulatory asset for the late payment charges waived under this provision between the date of this Order and Duke Kentucky's next rate case. The Commission also finds that Duke Kentucky should file an annual report with the Commission indicating the number and dollar amount of late payment fees waived as a result of this provision.

9. <u>Tariff Issue: Seasonal Disconnects.</u>

Duke Kentucky's tariff includes a reconnection fee for instances in which a customer requests disconnection and then requests reconnection within twelve months. Duke Kentucky indicated that, in 2020, it began allowing customers who desired to disconnect service on a seasonal basis to choose a soft close in which the meter would be read remotely and billing would be discontinued until the customer uses more than 40 ccf in a month or October 15^{th}, whichever occurs first. In such instances, pilot lights would remain lit and Duke Kentucky would not need to dispatch a crew to disconnect or reconnect service, and thus the customer is not charged for reconnection.[69] Duke Kentucky's tariff currently does not contain this provision. The Commission finds that if Duke Kentucky plans to continue offering this option to customers, the provision should be included in the tariff.

10. Tariff Issue: Information Required to Confirm Prospective Customer Identity.

In order to confirm the identity of prospective customers, Duke Kentucky requires the following information: Full legal first and last name; date of birth; former address; and Social Security Number and/or Driver's License Number, or alternate ID (State ID, Passport, Matricula, Visa).[70] Currently, Duke Kentucky's tariff does not indicate that this information is required. KRS 278.160(1) requires that conditions for service be included in a utility's tariff. Therefore, the Commission finds that the following language should be included in the Application for Service section of Duke Kentucky's tariff: "To confirm the identity of prospective customers, Duke Kentucky requires the following information be provided: Full legal first and last name; date of birth; former address; and Social Security Number, Driver's License Number, or alternate ID (State ID, Passport, Matricula, Visa)."

11. Allocation of Reconnection Fee Revenue.

Duke Kentucky indicated that its billing system allocates reconnection fees of combination gas and electric customers equally. Currently, a combination customer who has both services disconnected/reconnected would be charged $75 for gas reconnection and $5.88 for electric reconnection for a total of $80.88. However, Duke Kentucky's billing system would allocate $40.44 to gas operations and $40.44 to electric operations.[71] To

[69] Duke Kentucky's Response to Staff's Post Hearing Request, Item 7.

[70] Duke Kentucky's Response to Staff's Third Request, Item 1(a).

[71] Duke Kentucky's Response to Staff's Post Hearing Request, Item 8.

ensure that the proper amount of reconnection fee revenue is included in miscellaneous service revenues in the future, the Commission finds that Duke Kentucky should make revisions to its billing system to allocate the reconnection fees of combination customers in accordance with each tariff.

12. Stay Out Provision.

As noted above, in the Joint Stipulation, Duke Kentucky agreed to a base rate case stay out provision that included exclusions, such as the ability to seek emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to credit or operations.

Based upon a review of the Joint Stipulation and the case record, and being otherwise sufficiently advised, the Commission finds that Duke Kentucky must file a formal application before seeking emergency rate relief, and that Duke Kentucky must provide the Commission with at least 30 days' notice prior to filing the formal application for permission to seek rate relief. KRS 278.190 does not provide for "emergency rate relief" as the basis for filing a base rate case, as envisioned by the parties in the Joint Stipulation. Instead, KRS 278.190(2) permits a utility, upon filing new rates or charges, to seek Commission approval to assess all or a portion of the proposed rates to become effective, subject to refund, during the suspension period. In order to grant a utility's request to allow the rates to become effective during the suspension, the Commission must find that the company's credit or operations will be materially impaired or damaged by the failure to permit the rates to become effective during the suspension period. This is of course a factual determination the Commission must make, and it is without argument that a utility cannot determine this for itself. As such, the Joint Stipulation provision does not necessarily provide the utility with rate relief. Instead, the Joint

Stipulation permits the utility to file a rate case, and after filing that case, seek the ability to charge those proposed rates during the suspension period. If, for instance, that does occur and the Commission finds that the utility's situation does not rise to the level envisioned by KRS 278.190(2) necessitating interim rate relief, the utility still has a pending rate case that the Commission must adjudicate within the confines of its statutory and regulatory obligations. As such, the Commission is concerned with the overbroad term in the Joint Stipulation regarding emergency rate relief. Therefore, and according to the language of the Joint Stipulation, in order to "seek emergency rate relief" before the proposed "stay-out" expires, the utility should file an application seeking to assert that Stipulation provision. The Commission will grant the utility's ability to subsequently file a base rate adjustment under KRS 278.190 if the Commission finds that the utility's credit or operations will be materially impaired or damaged by the failure to permit a rate adjustment. This is the same or similar standard contained in KRS 278.190(2) and thus is the standard the parties have already agreed to as the basis for when or if Duke Kentucky can seek rate relief as an exception to the stay-out provision provided for in the Stipulation. This clarification merely provides a process by which Duke Kentucky may assert their rights under the Joint Stipulation. The Commission will commit to adjudicating such an application as quickly as feasible, and place it at the front of its docket.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Duke Kentucky are denied.

2. The Joint Stipulation, attached to this Order as Appendix A (without exhibits), is approved with the modification discussed in this Order.

3. The rates and charges as set forth in Appendix C to this Order are approved as fair, just and reasonable rates for Duke Kentucky, and these rates and charges are approved for service rendered on and after the date of this Order.

4. Duke Kentucky's request to increase its reconnection fee to $90 is approved.

5. Duke Kentucky's bad check charge is reduced to $5.

6. Duke Kentucky's request to add a field collection charge to its tariff is denied.

7. Duke Kentucky shall filed a lead/lag study in its next general rate case and in all general rate cases it files until further Order by the Commission.

8. Duke Kentucky shall file with its next general rate case formal cost support for its residential late payment charge.

9. Duke Kentucky shall add a provision to its tariff to waive late payment charges for residential customers who receive a pledge or notice of low-income assistance from an authorized agency.

10. Duke Kentucky shall file an annual report with the Commission indicating the number and dollar amount of late payment charges waived as a result of receipt of a pledge or notice of low-income assistance from an authorized agency.

11. Duke Kentucky shall file a formal application before seeking emergency rate relief prior to the end of the stay-out period established in the Joint Stipulation. Duke Kentucky shall provide the Commission with at least 30 days' notice prior to filing the formal application for permission to seek emergency rate relief.

12. Duke Kentucky is authorized to establish a regulatory asset for the late payment charges waived as a result of receipt of a pledge or notice of low-income

assistance from an authorized agency between the date of this Order and Duke Kentucky's next general rate case.

13. The regulatory asset related to late payment charge waivers approved in this case is for accounting purposes only.

14. The amount, if any, of the regulatory asset authorized in this Order that is to be amortized and included in rates, shall be determined in Duke Kentucky's next rate case.

15. If Duke Kentucky plans to continue offering the soft close seasonal disconnect option to customers, it shall include the provision in its tariff.

16. Duke Kentucky shall add the following language to the Application for Service section of its tariff: "To confirm the identity of prospective customers, Duke Kentucky requires the following information be provided: Full legal first and last name; date of birth; former address; and Social Security Number, Driver's License Number, or alternate ID (State ID, Passport, Matricula, Visa)."

17. Duke Kentucky shall make revisions to its billing system to allocate the reconnection fees of combination electric and gas customers in accordance with each tariff.

18. Within 20 days of the date of this Order, Duke Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates, charges, and modifications approved or as required in this Order, and reflecting their effective date and that they were authorized by this Order.

19. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED

DEC 28 2021

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KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00190 DATED DEC 28 2021

FIFTEEN PAGES TO FOLLOW

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

The Electronic Application of Duke Energy Kentucky, Inc., for: 1) An Adjustment of the Natural Gas Rates; 2) Approval of New Tariffs; and 3) All Other Required Approvals, Waivers, and Relief.	)))))	Case No. 2021-00190

JOINT STIPULATION AND RECOMMENDATION

On June 1, 2021, Duke Energy Kentucky, Inc. ("Duke Energy Kentucky" or the "Company") filed its application with the Kentucky Public Service Commission ("Commission"), pursuant to KRS 278.180, KRS 278.190, and other applicable law for an increase in retail natural gas base rates and to implement new tariffs and revised charges in the above-captioned proceeding ("Application"). On June 2, 2021, the Attorney General of the Commonwealth of Kentucky ("Attorney General"), the only other party in the case, filed his motion to intervene, which was granted by the Commission.

Duke Energy Kentucky and the Attorney General (collectively as the "Parties") have filed testimony supporting their respective positions relating to Duke Energy Kentucky's Application. The Parties and the Commission Staff have engaged in substantial discovery of the Parties' respective positions by issuing numerous information requests to which the Parties have responded.

The Parties, representing diverse interests and viewpoints, have reached a complete settlement of all the issues raised in this proceeding and have executed this Joint Stipulation and Recommendation ("Stipulation") for purposes of documenting and submitting their agreement to the Commission for consideration and approval. It is the intent and purpose of the Parties to express their agreement on a mutually satisfactory resolution of all issues in the instant proceeding.

The Parties understand that this Stipulation is not binding upon the Commission, but believe it is entitled to careful consideration by the Commission. The Parties agree that this Stipulation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

The Parties request that the Commission issue an Order approving this Stipulation in its entirety pursuant to KRS 278.190, including the rate increase, rate structure, and tariffs as described herein. The request is based upon the belief that the Parties' participation in settlement negotiations and the materials on file with the Commission adequately support this Stipulation. Adoption of this Stipulation will lessen the need for the Commission and the Parties to expend significant resources in litigation of this proceeding and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final Order herein.

NOW, THEREFORE, for and in consideration of the mutual premises set forth above and the terms and conditions set forth herein, the Parties agree that the Company's Application should be approved as filed, except as modified or specified below:

1. **<u>Revenue Increase</u>.** The Parties agree that Duke Energy Kentucky's revenue requirement for natural gas distribution service for the forecasted test year of

January 1, 2022, through December 31, 2022, is $121,059,033. This represents an increase of $9,360,374 over the test year revenue that would be collected at current rates. This represents an overall increase of 8.4%. A residential customer with average usage of 57 CCF will see an 8.0% increase. The total revenue requirement is comprised of $80,320,545 in base revenues, $40,470,396 in gas cost revenues and $268,092 of miscellaneous revenues. Stipulation Attachment A provides a detailed summary of the adjustments to the Company's proposed overall revenue requirement as agreed to in this Stipulation. The significant concessions and adjustments are described below.

2. **Rate Base.** The Parties agree that the thirteen-month average rate base for the forecasted test period is $466,486,600.

3. **Cost of Capital.** The Parties agree that:

a. Duke Energy Kentucky's authorized Return on Equity (ROE) shall be 9.375 percent for natural gas base rates;

b. Duke Energy Kentucky's authorized Return on Equity (ROE) shall be 9.3 percent for natural gas capital riders;

c. Duke Energy Kentucky's long-term debt rate included in the cost of capital shall be 3.656 percent;

d. Duke Energy Kentucky's short-term debt rate included in the cost of capital shall be 1.667 percent; and

e. The capital structure is approved as 51.344 percent equity, 46.039 percent long-term debt, and 2.617 percent short-term debt.

f. Duke Energy Kentucky's Weighted Average Cost of Capital (WACC) is 6.541%.

4. **Working Capital.** The Parties agree, for settlement purposes only, to a reduction in the Company's Working Capital for Construction Accounts Payable equal to 50 percent of Mr. Kollen's recommended adjustment. This reduces rate base by $2.5 million and the result of this adjustment is a reduction to the revenue requirement of $0.221 million.

5. **Deferring and Amortizing CIS Development Costs.** The Parties agree, for settlement purposes only, with Mr. Kollen's proposal to normalize non-developmental Customer Connect and retired CMS O&M expense and to the creation of a regulatory asset included in rate base to defer and amortize the developmental Customer Connect and retired CMS O&M expense. The impact of this adjustment is an increase to the Company's rate base of $0.652 million. The higher rate base results in a $0.057 million increase to the Company's revenue requirement. This also results in a decrease to the Company's revenue requirement of $1.740 million associated with the removal of costs from the test period.

6. **Payroll Taxes.** The Parties agree to Mr. Kollen's adjustment to adjust payroll taxes related to the Company's incentive compensation adjustment. The impact of this adjustment is a reduction to the Company's revenue requirement of $0.045 million.

7. **Short-Term Incentive Plan Circuit-Breaker Expense.** The Parties agree, for settlement purposes only, to 50 percent of Mr. Kollen's adjustment to exclude short-term incentive plan expense tied to the "circuit breaker." The result of this adjustment is a reduction to the Company's revenue requirement of $0.179 million.

8. **<u>401k Matching Costs for Employees Who Participate in a Defined Benefit Plan.</u>** The Parties agree, for settlement purposes only, to Mr. Kollen's adjustment to exclude 401k Matching Costs for employees that also participate in a defined benefit plan. The result of this adjustment is a reduction to the Company's revenue requirement of $0.221 million.

9. **<u>Supplemental Executive Retirement Plan (SERP) Expense.</u>** The Parties agree, for settlement purposes only, to Mr. Kollen's adjustment to exclude SERP expense from the Company's revenue requirement. The result of this adjustment is a reduction of $0.034 million to the Company's revenue requirement.

10. **<u>Association Dues.</u>** The Parties agree, for settlement purposes only, to Mr. Kollen's adjustment to exclude association dues for the American Gas Association and Interstate Natural Gas Association of America from the Company's revenue requirement. The result of this adjustment is reduction of $0.055 million from the Company's revenue requirement.

11. **<u>Depreciation Expense for Customer Connect Plant in-Service.</u>** The Parties agree, for settlement purposes only, to Mr. Kollen's adjustment to modify the depreciation expense for Customer Connect plant in-service. The result of this adjustment is a reduction of $0.061 million to the Company's revenue requirement. The adjustment also increases rate base by $0.023 million. The higher rate base results in a $0.002 million increase to the Company's revenue requirement.

12. **<u>Interest Rates.</u>** The Parties agree, for settlement purposes only, to Mr. Kollen's adjustment to update the forecast of interest expense for issuances after the base period and in the test year. The result of this adjustment is a reduction of $0.088 million to the revenue requirement.

13. **<u>Company Financing Forecast.</u>** The Parties agree, for settlement purposes only, to update the capital structure for certain recent changes in financing plans for Duke Energy Kentucky. This update results in a reduction of $0.107 million to the revenue requirement. As outlined in the supplemental response to AG-DR-01-46, the Company was not successful in issuing its planned $50 million long-term debt issuance for September 2021 in the private placement market. Instead the Company is now planning a two-year $50 million debt issuance at a rate yet to be determined but currently estimated rate of 0.83% (SOFR plus 60 basis points). Additionally, the Company will no longer be making the $70 million September 2022 debt issuance it had originally planned at the time this rate case was filed. As a result of this change, the revised test period capital structure is as follows:

a. Common Equity of $861,861,344 or 51.344%

b. Long-Term Debt of $772,830,214 or 46.039%

c. Short-Term Debt of $43,936,209 or 2.617%

14. **<u>Increase in Commercial Gas Transportation Revenue.</u>** The Parties agree for settlement purposes only, to Mr. Kollen's adjustment to increase the Commercial Natural Gas Transportation Revenue. The result of this adjustment is a decrease to the Company's revenue requirement by $0.245 million.

15. **<u>Depreciation Rates.</u>** The Company's existing depreciation rates as approved in Case No. 2018-0261 shall continue, subject to the CIS modifications described above.

16. **Approval of a Pipeline Modernization Mechanism.** The Parties agree that Duke Energy Kentucky's proposal for a Governmental Mandate Adjustment mechanism (Rider GMA) shall be modified as follows:

a. The name of the Rider shall be changed to the Pipeline Modernization Mechanism (PMM);

b. The Rider shall be limited to pipeline replacement projects as necessitated by the Pipeline and Hazardous Materials Safety Administration (PHMSA) regulations for pipeline integrity. For avoidance of doubt, the Company's AM07 pipeline replacement shall be eligible for Rider PMM recovery. Duke Energy Kentucky withdraws its request to include changes related to state or federal corporate tax rate changes;

c. The first pipeline replacement project eligible for rider recovery, subject to certificate of public convenience and necessity (CPCN) approval by the Commission, shall be the Company's upcoming AM07 pipeline replacement;

d. Rider PMM shall have an initial term limit of seven (7) years from the date of order in the natural gas base rate case proceeding in Case No. 2021-00190, subject to renewal, if authorized by the Commission either as part of a natural gas base rate proceeding or as part of a separate application filed in accordance with KRS 278.509;

e. The Rider shall be adjusted annually for capital placed into service following the test year in Case No. 2021-00190. The first such adjustment shall be filed no earlier than July 1, 2022 with new rates effective January 1, 2023. The Rider will use forecasted 13-month average plant in-service balances for purposes of calculating the annual revenue requirement. For the avoidance of doubt, the rate base included in the Rider filing will not include Construction Work In Process (CWIP) and plant in-service will include Allowance for Funds Used During Construction (AFUDC) consistent with rate base calculation included in the Company's base rate case filings. The Company will make annual Rider PMM adjustment filings on or before July 1st with rates to be implemented the following January;

f. The Company shall file a CPCN for each phase of the AM07 Replacement project, but shall not be required to file a CPCN for Rider PMM projects that qualify as an ordinary extension of the existing system in the ordinary course of business;

g. Rider PMM shall be calculated as a per-bill monthly charge for residential and general service rates. Rider PMM shall be calculated on a per ccf charge for transportation rates. The revenue requirement calculated in the Rider will be allocated between the rate classes as outlined in Paragraph Number 22 in this Stipulation.

h. The Rider shall be subject to an annual revenue requirement cap of no more than a 5 percent increase in natural gas revenues per year. For purposes of determining the 5 percent cap, the Parties agree that the natural gas revenues, including base revenues, gas cost revenues and miscellaneous revenues of $121,059,033 outlined in Paragraph Number 1 of this Stipulation shall become the baseline for measuring the 5 percent annual cap on increases for the duration of the rider. Any additional capital placed into service that would result in an increase over 5 percent shall be eligible for the creation of a regulatory asset for recovery of the deferral of property taxes, depreciation, and post-in-service carrying costs for that incremental capital (PISCC based on approved WACC). Such deferral shall be eligible for amortization in the Company's next natural gas base rate proceeding.

i. The Rate of Return (ROR) used for calculating the Rider PMM (and any other capital-related natural gas adjustment mechanism) shall include a ROE of 9.3 percent and long-term and short-term debt rates approved in this proceeding.

17. **<u>Residential Customer Charge.</u>** The Parties agree that the monthly residential natural gas fixed customer charge shall increase by $1.00 from $16.50 to $17.50 per month.

18. **<u>Natural Gas Base Rate Case Stay-out.</u>** Subject to the exclusions set forth below, Duke Energy Kentucky will not file an application to adjust the base rates for its natural gas business, where such adjustment would have an effective date at the conclusion of the Commission's suspension period under KRS 278.190, prior to January 1, 2026. For avoidance of doubt, the Company may file an application prior to January 1, 2026, provided the effective date of rates, once suspended by the Commission in accordance with KRS 278.190, is on or after January 1, 2026. Notwithstanding the natural gas base rate case stay out commitment described above, Duke Energy Kentucky shall retain the right, at any time, to seek the approval from the Commission of:

a. The deferral of costs as permissible under the Commission's standard for deferrals:

   1. An extraordinary, nonrecurring expense that could not have reasonably been anticipated in the utility's planning;

   2. An expense resulting from a statutory or administrative directive;

   3. An expense in relation to an approved industry initiative; or

   4. An extraordinary or nonrecurring expense that over time will result in a savings that fully offsets the cost.

b. Emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to credit or operations;

c. Adjustments to the operation of any of Duke Energy Kentucky's cost recovery surcharge mechanisms (e.g., Gas Cost Adjustment, Weather Normalization Adjustment, Demand-side Management, Rider PMM, etc.,); and

d. During the effective stay-out period, Duke Energy Kentucky reserves the right to seek necessary rate relief and/or accounting treatment for costs or programs required due to changes in law or regulations, including but not limited to, changes in tax rates or environmental compliance costs applicable to natural gas operations that may occur during the stay-out period.

19. Rate Case Expense. For financial accounting purposes, Duke Energy Kentucky will amortize rate case expense associated with this proceeding for recovery over a five-year period, without carrying charges, beginning with the effective date of the revised tariffs.

20. Tariff Changes. The Parties agree that any language changes to tariff sheets as proposed in the Company's application as modified through responses to discovery should be approved. A complete set of tariff sheets are filed as Attachment B to this Stipulation.

21. Proof of Revenue. Attached to this Stipulation as Attachment C are proof-of-revenue sheets, showing that the rates set forth in Attachment B, plus projected Miscellaneous Revenue, will generate the revenue needed to recover the Company's test year revenue requirement to which the Parties have agreed in Paragraph Number 1 hereof.

22. Allocation of Total Revenues. The Parties agree to the allocation set forth in Attachment D, which uses the Company's cost of service study originally filed in this proceeding and updates for the final revenue requirement agreed to in this

Stipulation. The allocation results in a 67.40% allocation to Rate RS, a 26.04% allocation to Rate GS, a 4.97% allocation to Rate FT-L and a 1.59% allocation to Rate IT.

23. Filing of Stipulation. Following the execution of this Stipulation, the Parties shall cause the Stipulation to be filed with the Commission with a request to the Commission for consideration and approval of this Stipulation so that Duke Energy Kentucky may begin billing under the approved adjusted rates for service rendered on and after Approval.

24. Commission Approval. The Parties to this Stipulation shall act in good faith and use their best efforts to recommend to the Commission that this Stipulation be accepted and approved. Each Party hereto waives all cross-examination of the witnesses of the other Party hereto except in support of the Stipulation or unless the Commission fails to adopt this Stipulation in its entirety. Each Party further stipulates and recommends that the Notice of Intent, Notice, Application, direct testimony, rebuttal testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record. The Parties further agree and intend to support the reasonableness of this Stipulation before the Commission, and to cause their counsel to do the same in this proceeding and in any appeal from the Commission's adoption and/or enforcement of this Stipulation. If the Commission issues an order adopting this Stipulation in its entirety, each of the Parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

25. Effect of Non-Approval. If the Commission does not accept and approve this Stipulation in its entirety or imposes any additional conditions or requirements upon the signatory Parties, then: (a) either Party may elect, in writing docketed in this proceeding, within ten days of such Commission Order, that this Stipulation shall be void and withdrawn by the Parties hereto from further consideration by the Commission and neither Party shall be bound by any of the provisions herein; and (b) each Party shall have the right, within 20 days of the Commission's order, to file an petition for rehearing, including a notice of termination of and withdrawal from the Stipulation; and, (c) in the event of such termination and withdrawal of the Stipulation, neither the terms of this Stipulation nor any matters raised during the settlement negotiations shall be binding on either of the signatory Parties to this Stipulation or be construed against either of the signatory Parties. Should the Stipulation be voided or vacated for any reason after the Commission has approved the Stipulation and thereafter any implementation of the terms of the Stipulation has been made, then the Parties shall be returned to the *status quo* existing at the time immediately prior to the execution of this Stipulation.

26. **<u>Commission Jurisdiction.</u>** This Stipulation shall in no way be deemed to divest the Commission of jurisdiction under Chapter 278 of the Kentucky Revised Statutes.

27. **<u>Successors and Assigns.</u>** This Stipulation shall inure to the benefit of and be binding upon the Parties hereto, their successors and assigns.

28. **<u>Complete Agreement.</u>** This Stipulation constitutes the complete agreement and understanding among the Parties hereto, and any and all oral statements, representations or agreements made prior hereto or contained contemporaneously herewith shall be null and void and shall be deemed to have been merged into this Stipulation.

29. **Implementation of Stipulation.** For the purpose of this Stipulation only, the terms are based upon the independent analysis of the Parties to reflect a just and reasonable resolution of the issues herein and are the product of compromise and negotiation. Notwithstanding anything contained in the Stipulation, the Parties recognize and agree that the effects, if any, of any future events upon the operating income of Duke Energy Kentucky are unknown and this Stipulation shall be implemented as written.

30. **Admissibility and Non-Precedential Effect.** Neither the Stipulation nor any of the terms set forth herein shall be admissible in any court or Commission except insofar as such court or Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Stipulation or a Party's compliance with this Stipulation. This Stipulation shall not have any precedential value in this or any other jurisdiction.

31. **No Admissions.** Making and entering into this Stipulation shall not be deemed in any respect to constitute an admission by either Party that any computation, formula, allegation, assertion or contention made by any Party in these proceedings is true or valid. Nothing in this Stipulation shall be used or construed for any purpose to imply, suggest or otherwise indicate that the results produced through the compromise reflected herein represent fully the objectives of a Party.

32. **Authorizations.** The signatories hereto warrant that they have informed, advised, and consulted with the respective Parties hereto regarding the contents of this

Stipulation, and based upon the foregoing, are authorized to execute this Stipulation on behalf of the Parties hereto.

33. **Commission Approval.** This Stipulation is subject to the acceptance of and approval by the Commission.

34. **Interpretation of Stipulation.** This Stipulation is a product of negotiation among all Parties hereto, and no provision of this Stipulation shall be strictly construed in favor of or against any Party.

35. **Counterparts.** This Stipulation may be executed in multiple counterparts.

36. **Future Proceedings.** Noting in this Stipulation shall preclude, prevent or prejudice any Party hereto from raising any argument/issue or challenging any adjustment in any future rate case proceeding of Duke Energy Kentucky.

IN WITNESS WHEREOF, this Stipulation has been agreed to effective this 7th day of October 2021. By affixing their signatures below, the undersigned Parties respectfully request the Commission to issue its Order approving and adopting this Stipulation the Parties hereto have hereunto affixed their signatures.

DUKE ENERGY KENTUCKY, INC

By:_______________
Amy B. Spiller
Title: President

ATTORNEY GENERAL OF THE
COMMONWEALTH OF KENTUCKY

By:_______________
John G. Horne, II
Title: Executive Director,
Office of Rate Intervention

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00190 DATED DEC 28 2021

Rate Class	Rate Base (A)	Present Revenues (B)	Net Operating Income (C)	Present ROR (D)	Present Revenues At Average ROR (E)	Inter Class Subsidization Overcollected (Undercollected) (F)	Inter Class Subsidization times (G)	Rate Increase (allocated to class based on Rate Base) (H)	Proposed Revenues 100.00% Interclass Subsidization (I)	Proposed Percent Increase (J)	ROR At Proposed Rates (K)	Proposed Increase Less (Subsidy) Excess (L)
	FR-16(7)(v)-8	FR-16(7)(v)-8	WP - Pres NOI	(C) / (A)	(B) + (((D) Line 5 * (C))/(1-FIT))	(B) - (E)		(H) Line 5 * ((A) / (A) Line 5)	(B) - (G) + (H)	((H) - (G)) / (B)	((((H) - (G))*(1-FIT)+ (C)) / (A)	(H) - (G)
Rate RS	$ 297,227,095	$ 75,382,959	$ 17,731,982	5.9658%	$ 71,879,356	$ 3,503,603	$ 1,120,300	$ 5,850,308	$ 80,112,967	6.275%	7.222992%	$ 4,730,008
Rate GS	116,787,694	28,525,719	3,135,455	2.6847%	31,999,535	(3,473,816)	(1,228,351)	2,298,727	32,052,797	12.365%	5.070608%	3,527,078
Rate FT-L	39,682,427	5,697,047	2,041,804	5.1454%	5,641,401	55,646	76,745	781,067	6,401,369	12.363%	6.547530%	704,322
Rate IT	12,789,383	1,782,710	576,400	4.5069%	1,868,143	(85,433)	31,306	251,733	2,003,137	12.365%	5.868440%	220,427
Total	$ 466,486,599	$ 111,388,435	$ 23,485,641	5.0346%	$ 111,388,435	$ -	$ -	$ 9,181,835	$ 120,570,270	8.243%	6.589533%	$ 9,181,835
										12.365%		

MISCELLANEOUS REVENUES:		Duke Adj.	PSC Adj.	Increase Including Duke and PSC Adj.			
Interdepartmental (Incl in GS)	0			$ 9,170,880	0		
Bad Check Charges	27,420		(14,944)		12,476		
Reconnection Charges	23,364	4,673			28,037		
Rents	0				0		
Special Contracts (Rate FT-L)	258,228				258,228		$46,805 decr in Spec Contract included in FT-L above
Other Misc	1,212		(684)		528		
Revenue Transp of Gas - Interco	0				0		
Total Misc	310,224				299,269		
Total Company	111,698,659				120,869,539	8.210%	

DUKE ENERGY KENTUCKY
CASE NO. 2021-00190
REVENUES AT PRESENT AND PROPOSED RATES
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2022
(GAS SERVICE)

DATA: ___ BASE PERIOD _X_FORECASTED PERIOD
TYPE OF FILING: ___ ORIGINAL ___UPDATED _X_ REVISED
WORK PAPER REFERENCE NO(S).:
12 MONTHS FORECASTED

SCHEDULE M
PAGE 1 OF 1
KY-PSC

LINE NO.	RATE CLASSIFICATION *(A)*	REVENUE AT PRESENT RATES *(B)*	REVENUE AT PROPOSED RATES *(C)*	REVENUE CHANGE (AMOUNT) *(D=C-B)*	% OF REVENUE CHANGE *(E=D / B)*
		($)	*($)*	*($)*	
1	***SALES SERVICE:***				
2	RS RESIDENTIAL	75,382,959	80,112,713	4,729,754	6.27%
3	*TOTAL RS*	75,382,959	80,112,713	4,729,754	6.27%
4	GS COMMERCIAL	23,890,508	26,862,149	2,971,641	12.44%
5	GS INDUSTRIAL	2,459,804	2,754,653	294,849	11.99%
6	GS OTHER PUB AUTH	2,147,642	2,405,132	257,490	11.99%
7	*TOTAL GS*	28,497,954	32,021,934	3,523,980	12.37%
8	*TOTAL SALES SERVICE*	103,880,913	112,134,647	8,253,734	7.95%
9	***TRANSPORTATION:***				
10	FT LARGE	5,697,047	6,482,594	785,547	13.79%
11	IT	1,782,710	2,003,106	220,396	12.36%
12	*TOTAL TRANSPORTATION*	7,479,757	8,485,700	1,005,943	13.45%
13	*TOTAL THROUGHPUT*	111,360,670	120,620,347	9,259,677	8.32%
14	***MISCELLANEOUS REVENUES:***				
15	LATE PAYMENT CHARGES	0	0	0	0.00%
16	BAD CHECK CHARGES	27,420	12,476	(14,944)	-54.50%
17	RECONNECTION CHARGES	23,364	28,037	4,673	20.00%
18	FIELD COLLECTION CHARGES	684	0	(684)	-100.00%
19	INTERDEPARTMENTAL	27,765	31,228	3,463	12.47%
20	MINIMUM USE CONTRACT	258,228	176,949	(81,279)	-31.48%
21	REVENUE TRANSP OF GAS-INTERCO	0	0	0	0.00%
22	PROVISION FOR RATE REFUNDS	0	0	0	0.00%
23	OTHER MISC	528	528	0	0.00%
24	*TOTAL MISCELLANEOUS*	337,989	249,219	(88,770)	-26.26%
25	*TOTAL COMPANY REVENUE*	111,698,659	120,869,566	9,170,907	8.21%

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2021-00190 DATED DEC 28 2021

The following rates and charges are prescribed for the customers in the area served by Duke Energy Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

	Base Rate	Gas Cost Adjustment Rate	Total Rate
Rate RS Residential			
Monthly Commodity Charge			$17.50
All Ccf Consumed	$0.52474	$0.72670	$1.25144
Rate GS General Service			
Monthly Commodity Charge			$58.00
All Ccf Consumed	$0.37443	$0.72670	$1.10113
Rate FT-L Firm Transportation Service			
Monthly Administrative Charge			$430.00
All Ccf Consumed	$0.21976		$0.21976
Rate IT Interruptible Transportation Service			
Monthly Administrative Charge			$430.00
All Ccf	$0.11300		$0.11300
Bad Check Charge			$5.00
Field Collection Charge			$0.00
Reconnection Fee			$90.00

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