

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY )	
KENTUCKY, INC. FOR (1) AN ADJUSTMENT OF )	
ELECTRIC RATES; (2) APPROVAL OF NEW )	CASE NO.
TARIFFS; (3) APPROVAL OF ACCOUNTING )	2022-00372
PRACTICES TO ESTABLISH REGULATORY )	
ASSETS AND LIABILITIES; AND (4) ALL OTHER )	
REQUIRED APPROVALS AND RELIEF )	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION  
TO DUKE ENERGY KENTUCKY, INC.

Duke Energy Kentucky, Inc. (Duke Kentucky), pursuant to 807 KAR 5:001E, is to file with the Commission an electronic version of the following information. The information requested is due on March 2, 2023. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 that indicates 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 and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Duke Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Duke Kentucky's current tariff on file with the Commission, Sheet No. 74, Rider AMO, Advanced Meter Opt-Out (AMO) – Residential.
  - a. Provide the number of customers currently participating in Rider AMO.
  - b. Provide detailed cost support for the \$100 one-time fee and the \$25 recurring monthly fee.

c. If labor is included in the cost support above, explain whether Duke Kentucky used contract labor, Duke Kentucky employees, or a combination of both, to perform the services.

d. For the last five calendar years, provide the amount of Rider AMO fees billed by month.

e. Explain whether the expenses and revenues from Rider AMO were included in Duke Kentucky's calculation of its revenue requirement in this proceeding. If so, identify how they were included in the revenue requirement calculation.

2. Refer to the Direct Testimony of Amy Spiller (Spiller Direct Testimony), page 5, line 15, through page 6, line 5, which lists Duke Kentucky's local electric operations. Also refer to Duke Kentucky's response to the Attorney General's First Request for Information, Item 11(b). Explain whether a customer has the option to speak with Duke Kentucky representatives in person regarding their account. If so, list the location of the office(s) where this is available.

3. Provide the number for each of the following that are available to Duke Kentucky's customers.

- a. Offices.
- b. Service centers.
- c. Mobile payment centers.

4. Refer to the Direct Testimony of Bruce L. Sailors (Sailors Direct Testimony), page 26, lines 14–15, in which it is stated that the proposed changes to Rider DIR will improve Duke Kentucky's competitiveness in the region. Explain whether any potential customers have expressed reservations about locating in Duke Kentucky's service

territory due to the current terms of Rider DIR not being competitive with offerings of other utilities in the region.

5. Refer to the Direct Testimony of Joshua C. Nowak (Nowak Direct Testimony), page 26, line 14. Explain the rationale for limiting the selection of proxy group companies to those owning regulated generation assets. Include in the response why electric utilities not owning regulated generation should be excluded from the proxy group when these companies are implicitly included in the derivation of the risk premium regression analysis.

6. Refer to Nowak Direct Testimony, pages 37–39 and Duke Kentucky’s response to Commission Staff’s Second Request for Information (Staff’s Second Request), Item 27c.

a. For the Risk Premium method, identify and explain whether the awarded Return on Equity(ies) (ROE) obtained from Research Regulatory Associates (RRA) were the result of fully litigated rate cases or settlements. Include in the response whether any of the ROEs also included penalties or incentives resulting from specific actions on the part of the utility.

b. Explain what company growth rates are being limited in the Capital Asset Pricing Model (CAPM) Federal Energy Regulatory Commission (FERC) Method and the rationale for the limitation.

c. If the Risk Premium method is a valid approach to estimate regulated utility returns on equity, then explain why that risk premium should not also be applicable as the risk premium in the CAPM method.

d. Provide an update to the CAPM derived ROE estimates using the risk premium estimated in the risk premium method explained on pages 38-39 of Nowak Direct Testimony.

7. Refer to Schedule L-1, pages 81 and 85. Confirm that Rate NSU, Street Lighting Service Non-Standard Units and Rate SC, Street Lighting Service – Customer Owned will terminate December 31, 2026. If the rate will not terminate, explain why the termination date remains in the tariff.

8. Refer to Schedule L-1, pages 132–136, Rider DIR, Development Incentive Rider. Explain what security, if any, Duke Kentucky requires of customers taking service under Rider DIR.

9. Refer to Schedule L-1, pages 161 and 163.

a. Confirm that there are no changes being proposed on these tariff pages.

b. Provide the detailed calculation of the capacity purchase rates.

10. Refer to Schedule L-2.2, page 82, Rider X, Line Extension Policy.

a. Confirm that if the estimated cost of changing or extending the distribution lines to reach a customer's premises is less than \$1 million and equals or is less than three times the estimated gross annual revenue and the customer establishes credit in a manner satisfactory to Duke Kentucky, then the customer would not be responsible for the costs of changes to or extending the distribution lines. If not confirmed, explain.

b. Explain what Duke Kentucky would consider satisfactory credit in relation to Rider X.

c. Explain under what circumstances a customer would not be required to enter into an agreement to guarantee a monthly bill of 1 percent of the line extension cost for residential service and 2 percent for nonresidential service when the estimated cost of changing or extending the distribution lines to reach the customer's premises is greater than \$1 million or exceeds three times the estimated gross annual revenue.

d. Refer to Schedule L-2.2 generally. Provide all rate design workpapers and revenue models supporting the proposed rate schedules in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible and with all links intact.

11. Refer to Duke Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 54, Attachment 1. For each year included in the attachment, provide a breakdown of the reconnection charge columns by the following types, listing the amounts billed and number of times billed:

- a. Remote Reconnection;
- b. Non-Remote Electric Reconnection;
- c. Pole Reconnection;
- d. Non-Remote After-Hours Reconnection; and
- e. Pole Reconnection After Hours.

12. Refer to Duke Kentucky's response to Staff's Second Request, Item 11(d).

a. Provide, by month, for the period beginning January 2021 to present, the number of calls Duke Kentucky received from customers that authenticated in the Interactive Voice Response (IVR) system or that mentioned late-payment billing topics when describing their reason for calling the IVR system.

b. If different from above, provide, by month, for the period beginning January 2021 to present, the number of phone calls Duke Kentucky has received from late paying customers.

13. Refer to the response to Staff's Second Request, Item 13b.

a. Explain whether the charging equipment installed by Duke Kentucky will allow for third-party payments.

b. Explain whether the charging equipment installed by Duke Kentucky will display the kWh usage or be billed in such a way that kWh usage can be determined for each charging session. If not, explain how the kWh usage will be tracked per customer.

14. Refer to the response to Staff's Second Request, Item 15. Explain why the Line Extension Policy is an appropriate basis for the Make Ready Credit.

15. Refer to the response to Staff's Second Request, Item 17.

a. Explain whether Duke Kentucky considers the Make Ready Credit program an incentive program.

b. Explain whether Duke Kentucky has explored free riders, or customers who would have installed charging equipment without the credit incentive, in the Make Ready Credit program.

16. Refer to the response to Staff's Second Request, Item 20, Attachment. Explain the drivers for the large undepreciated balance of East Bend, even using the proposed depreciation rates and the later expected retirement date.

17. Refer to the response to Staff's Second Request, Item 26(c)–(d).

a. Provide documentation to support the following statement: “Mr. Nowak is aware that Yahoo! Finance Beta estimates are based on five years of monthly returns. Five years of monthly returns, or 60 total observations, may not produce a statistically robust relationship for estimating Beta so they should not be included in the CAPM analysis.”

b. Provide an update to all analyses that, in addition to Value Line and Bloomberg beta values, include Yahoo! Finance adjusted beta values.

18. Refer to the response to Staff’s Second Request, Item 27c. The response did not address the specific question as to rationale for and reasonableness of the CAPM FERC Method of limiting company growth rates to between 0 and 20 percent. Explain the rationale and reasonableness of the limitation.

19. Refer to the response to Staff’s Second Request, Item 31b. For each regulation identified, explain whether Duke Kentucky would expect to incur compliance costs for East Bend, assuming that it continues to operate when the regulation goes into effect. If so, provide any known costs and supporting documentation.

20. Refer to the response to Staff’s Second Request, Item 34. Explain whether Duke Kentucky will file a marginal cost study with the Commission for each Rider DIR contract submitted for approval. If not, explain why not.

21. Refer to the response to Staff’s Second Request, Item 38b. Provide the adjustment necessary to remove the proposed base rate roll in of plant in service related to Rider Environmental Surcharge Mechanism.



22. Refer to the response to Staff's Second Request, Item 40, Attachment. Confirm that Duke Kentucky employees exclusively perform the services listed below. If not confirmed, explain.

- a. Non-Remote Electric Reconnection;
- b. Pole Reconnection;
- c. Non-Remote After-Hours Reconnection;
- d. Pole Reconnection After Hours; and
- e. Collection Charge (Field Visit).

23. Refer to the response to Staff's Second Request, Item 41, in which Duke Kentucky states that if the distribution main line system is impacted by a customer's desired change in installation, the customer is responsible for the costs in excess of the 36-month revenue credit in accordance with the line extension policy. Reconcile the current line extension policy allowing for this when it currently only applies to situations in which distribution lines are extended, and not to a customer's request for a change in installation.

24. Refer to the response to Staff's Second Request, Item 47(e). Explain what Duke Kentucky will consider a "large investment in infrastructure" in relation to Rider X.

25. Refer to the response to Staff's Second Request, Items 49(a) and (b), in which Duke states that the fees are intended to cover program costs for charger removal/relocation with penalizing the customer. Confirm that those responses should state that the fees are intended to cover program costs for charger removal/relocation without penalizing the customer. If not confirmed, explain.

26. Refer to the response to Staff's Second Request, Items 49(a) and (b). Explain whether the removal/relocation of the charging stations would be performed by Duke Kentucky employees, outside contractors, or a combination of both labor forces. If any labor is performed by someone other than a Duke Kentucky employee, explain how that decision would be made.

27. Refer to the response to Staff's Second Request, Item 53(a), regarding Rider GP, GoGreen Kentucky Rider. If Duke Kentucky were to decrease the GoGreen rate outside of the annual filing, explain when the tariff sheet reflecting the decrease would be submitted to the Commission in relation to the date of the actual decrease. Explain how Duke Kentucky would notify customers participating in Rider GP of the rate decrease.

28. Refer to the Response to Staff's Second Request, Item 55(b), which was seeking information regarding the field collection charge. Provide the information requested for field collection charges.

29. Explain how Duke Kentucky offers its generating units in the PJM Interconnection LLC (PJM) energy markets.

30. Refer to Sailors Direct Testimony, page 30.

a. Identify how, specifically, the Company will utilize the approved cost of service study (COSS) from this proceeding in the preparation of the net metering revisions.

b. Provide the unit costs, or other calculations, Duke Kentucky will use from its COSS to inform its NEM rate revisions, include any workpapers to support the calculations of costs.

31. Refer to schedules FR 16(7)(v)-1 through FR 16(7)(v)-25 and workpaper FR-16(7)(v). Provide in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible and with all links intact.

32. Refer to BLS-5. Provide the Exhibit in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible with all links intact. Narratively explain Duke Kentucky's calculations in the Exhibit and how the calculations support the charges.

33. Describe Duke Kentucky's residential and commercial metering technology and capabilities.

a. Confirm all residential meters already capable of supporting the new RES-TOU-CPP rate. If not, explain when that is expected.

b. Confirm whether Duke Kentucky requires a different meter for the RES-TOU-CPP or NEM customers. If so, explain the differences in the meters, including any price or labor considerations. Provide the estimated costs of additional meters including installation and truck rolls, where applicable.

c. Confirm that customers under current NEM rates have the ability to be billed under a time of use rate. If they do, explain the specific process. If they do not, explain why not and what would be needed to accomplish this type of billing.

34. Reference Direct Testimony of Paul Halstead (Halstead Direct Testimony), pages 14–17.

a. Explain whether Duke Kentucky expects its revised net metering to have the same components as the illustrative Clean Energy Connection (CEC) value presented in Attachment PLH-1.

b. Provide Confidential Attachments PLH-2 and PLH-3 and all supporting workpapers in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible and with all links intact.

c. If not already provided in response to Item b above, provide all underlying workpapers, analysis, and raw data in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible, to support Duke Kentucky's calculation of the CEC program subscription fee, energy credit (for low-income participants and other participants), and sharing of savings.

d. State whether Duke Kentucky believes the CEC program should have a different energy or capacity rate than qualifying facilities (QFs). Provide support for the response with any necessary documentation or calculations.

e. Confirm whether Duke Kentucky's QF rates are reflected in the CEC value stack. If not, explain why not. If yes, explain and provide calculations and all workpapers in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible and with all links intact.



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DATED     FEB 17 2023    

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