

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY)	
KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF)	
THE ELECTRIC RATES; 2) APPROVAL OF NEW)	
TARIFFS; 3) APPROVAL OF ACCOUNTING)	CASE NO.
PRACTICES TO ESTABLISH REGULATORY)	2024-00354
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 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on February 26, 2025. The Commission directs Duke Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ 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

¹ 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 or incomplete when made or, though correct or complete when made, is now incorrect or incomplete 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 the Direct Testimony of Joshua Nowak (Nowak Direct Testimony). Confirm that Duke Kentucky did not exclude any outliers in the return on equity evaluation. If Duke Kentucky did exclude an outlier, identify all excluded outliers and explain why they were excluded.

2. Refer to the Nowak Direct Testimony, pages 35-36. Refer also to Duke Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 22c. Explain what company growth rates are being limited by the Federal Energy Regulatory Commission (FERC) methodology of only considering growth rates between 0 and 20 percent, and the rationale for the limitation.

3. Refer to Duke Kentucky's response to Staff's Second Request, Item 20.

a. Provide documentation to support the following statement: "the only forward-looking growth rates that are available on a consensus basis are analysts' earnings per share (EPS) growth rates."

b. Provide an update to the DCF analyses including dividend per share growth rates.

4. Refer to Duke Kentucky's response to Staff's Second Request, Items 21a and 21b.

a. Provide documentation, if any, that supports 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.

5. Refer to Duke Kentucky's response to Staff's Second Request, Item 27. Supplement the response with discussion, including specific reasons for each project, related to the projects incurring costs materially above their anticipated budgets.

6. Refer to the Application at 6. Duke Kentucky is seeking to recover certain regulatory assets through amortization, including but not limited to incremental planned outage O&M expense and incremental purchased power expense for forced outages.

a. Identify whether each regulatory asset or deferral sought in the application is recurring or nonrecurring.

b. Provide an estimate of the amount of each regulatory asset.

c. If there is not an estimate for a regulatory asset, cite to Commission precedent that allows for recovery through a regulatory asset of an unknown amount.

7. Refer to the Direct Testimony of Sarah Lawler, pages 10-13.

a. Provide the annual operating and maintenance (O&M) expenses related to planned outages and the base rate amount for the last 10 years. State the drivers of any change in the expenses from year to year.

b. Explain why these expenses for planned outages could not have reasonably been anticipated or included in Duke Kentucky's planning.

c. Provide the annual forced outage purchased power expense, the amount recovered through the Fuel Adjustment Clause, and the base rate amount for the last 10 years. State the drivers of any change in the expense from year to year.

8. Explain, in detail, how Duke Kentucky proposes to recover its requested deferrals if approved.

9. Refer to Duke Kentucky's response to Staff's Second Request, Item 3.

a. Provide the latest possible date that East Bend, as currently operated, can generate under current law.

b. Provide Duke Kentucky's expected timeline for filing applications seeking Commission approval to retire East Bend and replace its capacity and energy; the retirement or conversion of East Bend; and the construction or acquisition of replacement generation.

10. Refer to the Direct Testimony of Matthew Kalemba. Provide the effect on Duke Kentucky's depreciation expense if East Bend is retired in 2035 and in the alternative, 2038, with and without net terminal salvage.

11. Refer to the Application, Volume 11, Schedule B-1.

a. Provide the case number approving all regulatory assets included in rate base that are not deferred expenses for a rate case filing.

b. Explain why regulatory assets for deferred expenses for a rate case filing should be included in rate base.

12. Refer to the Application, Volume 11, Schedule C-1. Confirm that the depreciation expense is based on Duke Kentucky's proposed depreciation rates. If so, provide the depreciation expense for the forecasted test year at Duke Kentucky's current depreciation rates.


13. Refer to Duke Kentucky's response to the Attorney General's First Request for Information, Item 53, Attachment AG-DR-01-053 for the lead/lag workpaper and refer to Case No. 2022-00372.²

a. Explain the substantial reduction in the cash working capital requirement from Case No. 2022-00372 considering the proximity in time between cases.

² Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) An Adjustment of 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.*

b. Confirm that Duke Kentucky still receives for its receivables through a receivable sales agreement. If confirmed, provide the agreement. If not, explain if Duke Kentucky has a lag in those receivables that has increased since the last general rate base adjustment.

14. Provide an update to the fee free payment locations approved by the Commission in the Order issued July 1, 2024.³ Include in the update the number of fee free payment locations, the physical location for each one, any customer feedback commenting upon the new option as well as a detailed description as to how Duke Kentucky made customers aware of the new option.

 *RP*

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Executive Director
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DATED FEB 11 2025

cc: Parties of Record

³ Case No. 2022-00372, July 1, 2024 final Order.

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