

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DELTA	)	CASE NO.
NATURAL GAS COMPANY, INC. FOR AN	)	2024-00346
ADJUSTMENT OF GAS RATES	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL

The Office of the Attorney General of Kentucky, by and through the Office of Rate Intervention (Attorney General), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on March 17, 2025. The Commission directs Attorney General 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 person supervising the preparation of the response on behalf of the entity that 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).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The Attorney General shall make timely amendment to any prior response if the Attorney General 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 the Attorney General fails or refuses to furnish all or part of the requested information, the Attorney General 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, the Attorney General 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 Richard Baudino (Baudino Direct Testimony) generally.

- a. Provide Exhibits RAB 2-4 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

b. Confirm that no outliers were excluded from any analyses used to determine the Return on Equity (ROE) recommendation. If not confirmed, provide the analyses with outliers included, highlighting any previously excluded outliers.

2. Refer to the Baudino Direct Testimony, page 17, lines 1–5. Explain whether a proxy group of seven regulated gas distribution utilities represents a large enough representative sample on which to derive statistically significant ROE estimates.

3. Because water utilities have many similar characteristics to natural gas distribution companies, explain whether using water utilities as an indicator of the reasonableness of gas utility proxy group ROE estimates is appropriate and, if not, why not.

4. Refer to the Baudino Direct Testimony, page 18, lines 22–24. Explain why the most reasonable period over which to estimate dividend yields is six months.

5. Refer to the Baudino Direct Testimony, page 19, lines 10–12. Confirm that Yahoo! Finance forecasts still are currently unavailable. If not confirmed, provide an update to the Discounted Cash Flow (DCF) analyses including Yahoo! Finance consensus analysts' earnings growth forecasts.

6. Refer to the Baudino Direct Testimony generally. Provide support for the use of S&P Capital IQ consensus analysts' forecasts of earnings growth in the DCF analyses.

7. Refer to the Baudino Direct Testimony generally. Provide a comparison of Yahoo! Finance and S&P Capital IQ as sources of analysts' forecasts for growth.

8. Refer to the Baudino Direct Testimony, page 20, lines 21–23. Explain why using an average of both the median and average values is better than relying on one or the other.

9. Refer to the Baudino Direct Testimony, page 26, lines 12–14. Explain the reasoning for using 20-year Treasury bonds to determine the Historical Market Risk Premium, when 30-year Treasury bonds were used as the risk-free rate.

10. Refer to the Baudino Direct Testimony, page 30, lines 9–16. Mr. Baudino states that he considered the six-month average of the 30-year Treasury bond yield, but “given the sharp rise in yield over the last few months”, ultimately decided to use the three-month average yield.

a. Explain how using a shorter period, such as the three-month average, is reflective of long-term investor expectations.

b. Explain how using a three-month average yield, especially considering the noted recent fluctuations, does not reflect more volatility than a longer period in the calculations.

11. Refer to the Baudino Direct Testimony, page 31, lines 7–9. Provide an update to the Capital Asset Pricing Model (CAPM) analyses using the most recent data available.

12. Refer to the Baudino Direct Testimony, page 31, lines 7–18 and specifically, that the use of S&P Capital IQ beta values is a “new approach for me.”

a. Provide a discussion of how the S&P Capital IQ beta values are calculated.

b. Compare and contrast the S&P Capital IQ beta values to those provided in Value Line and Yahoo! Finance.

c. Provide an explanation of the previous beta calculation method used by the witness, and why a different method is being used in this analysis.

d. Explain whether the use of Yahoo! Finance adjusted beta values was considered in this analysis and, if the values were considered, explain why these values weren't included in the analysis.

e. Provide the adjusted Yahoo! Finance beta values for the proxy group and provide an update to the analysis including these values.

13. Refer to the Baudino Direct Testimony, Exhibit RAB-2, page 2 of 3. Provide an explanation for the column "Arithmetic Mean."

14. Refer to the Direct Testimony of David Dittmore (Dittmore Direct Testimony), page 8, lines 11–18 and page 9, lines 1–4. Confirm that the testimony supports a rate of return recommendation from the Attorney General that rolls the Pipeline Replacement Program (PRP) revenues only into base rates. If not confirmed, explain the testimony since Delta requested that the PRP not be rolled into base rates.



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Executive Director  
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DATED MAR 03 2025

cc: Parties of Record

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