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 Electric Rates; 2) Approval of an Environmental Compliance Plan and Surcharge Mechanism; 3) Approval of New Tariffs; 4) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; and 5) All Other Required Approvals and Relief.	)))))))))	Case No. 2017-00321

DUKE ENERGY KENTUCKY, INC.'S FIRST SET OF INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS PROPOUNDED UPON THE ATTORNEY GENERAL

Comes now Duke Energy Kentucky, Inc. (Duke Energy Kentucky), and addresses the following First Set of Data Requests to the Attorney General of the Commonwealth of Kentucky, Office of Rate Intervention (Attorney General) to be answered by the date specified in the Commission's Order of Procedure, and in accordance with the following instructions:

I. DEFINITIONS AND INSTRUCTIONS

1. With respect to each discovery request, all information is to be divulged that is within the knowledge, possession or control of the parties to whom it is addressed, including their agents, employees, attorneys and/or investigators.

2. Please identify the witness(es) who will be prepared to answer questions concerning each request.

3. These requests shall be deemed continuing so as to require further and

supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

4. All answers must be separately and fully stated in writing under oath.

5. Where an interrogatory calls for an answer in more than one part, each part should be separated in the answer so that the answer is clearly understandable.

6. For purpose of these discovery requests, the following terms shall have meanings set forth below:

(a) As used herein, "document," "documentation" and/or "record," whether stated as the singular or the plural, means any course of binders, book, pamphlet, periodical, letter, correspondence, memoranda, including but not limited to, any memorandum or report of a meeting or telephone or other conversation, invoice, account, credit memo, debit memo, financial statement, general ledger, ledger, journal, work papers, account work papers, report, diary, telegram, record, contract, agreement, study, draft, telex, handwritten or other note, sketch, picture, photograph, plan, chart, paper, graph, index, tape, data processing card, data processing disc, data cells or sheet, check acceptance draft, e-mail, studies, analyses, contracts, estimates, summaries, statistical statements, analytical records, reports and/or summaries of investigations, opinions or reports of consultants, opinions or reports of accountants, trade letters, comparisons, brochures, pamphlets, circulars, bulletins, notices, forecasts, electronic communication, printouts, all other data compilations from which information can be obtained (translated if necessary by defendants into usable form), any preliminary versions, drafts or revisions of any of the foregoing, and/or any other written, recorded, transcribed, punched, taped, filmed or graphic matter, however produced or reproduced and regardless of origin or location, in the possession, custody and/or control of the defendant and/or their agents, accountants, employees, representatives and/or attorneys. "Document" and "record" also mean all copies of documents by whatever means made, if the copy bears any other markings or notations not found on the original.

(b) The terms "relating to," "referring to," "referred to," "pertaining to," "pertained to" and "relates to" means referring to, reporting, embodying, establishing, evidencing, comprising, connected with, commenting on, responding to, showing, describing, analyzing, reflecting, presenting and/or constituting and/or in any way involving.

(c) The terms "and," "or," and "and/or" within the meaning of this document shall include each other and shall be both inclusive and disjunctive and shall be construed to require production of all documents, as above-described, in the broadest possible fashion and manner.

(d) The term "Attorney General" shall mean Attorney General of the Commonwealth of Kentucky, Office of Rate Intervention, and shall include, but is not limited to, each and every agent, employee, servant, insurer and/or attorney of the Attorney General. The term "you" shall be deemed to refer to the Attorney General.

(e) The term "Commission" shall mean the Kentucky Public Service Commission.

(f) The term "Duke Energy Kentucky" shall mean Duke Energy Kentucky, Inc., its employees, agents, officers, directors and representatives.

(g) To "identify" shall mean:

(1) With respect to a document, to state its date, its author, its type (for example, letter, memorandum, chart, photograph, sound reproduction, etc.), its subject matter, its present location, and the name of its present custodian. The document may be produced in lieu of supplying the foregoing information. For each document which contains information as privileged or otherwise excludable from discovery, there shall be included a statement as to the basis for such claim of privilege or other grounds for exclusion.

(2) With regard to a natural person, to state his or her full name, last known employer or business affiliation, title and last known home address.

(3) With regard to a person other than a natural person, state the title of that person, any trade name, or corporate name or partnership name used by that person, and the principal business address of that person.

(h) To "produce" or to "identify and produce," shall mean that the Attorney General shall produce each document or other requested tangible thing. For each tangible thing which the Attorney General contends are privileged or otherwise excludable from discovery, there shall be included a statement as to the basis for such claim of privilege or other grounds for exclusion.

(i) The terms "Party or Parties" shall mean any organization, person, corporation, entity, etc., which intervened in the above-captioned proceeding and shall further include the Kentucky Public Service Commission Staff.

II. REQUESTS FOR INFORMATION

1. Does the Attorney General have a Joint Defense Agreement with any party to this proceeding?

(a) If the answer is in the affirmative, provide a copy of said agreement.

(b) If the answer is in the negative, please state whether the Attorney General has had any conversations with any Intervening Party to this proceeding regarding the company's rate application, revenue requirements, adjustments to the Company's revenue requirements, etc.

(c) If the answer is in the negative, has Mr. Kollen had any conversations with any other party to his proceeding?

(d) If the answer is in the affirmative, provide a list of all such conversations, the dates, copies of any emails, letters, opinions, studies, etc. that depict the nature of any conversations between Mr. Kollen and any other party to this proceeding.

2. Other than Messrs. Watkins, Kollen, and Baudino, please identify any persons, including experts whom the Attorney General has consulted, retained, or is in the process of

retaining with regard to evaluating the Company's Application in this proceeding.

3. For each person identified in (prior) response to Interrogatory No. 2 above, please state (1) the subject matter of the discussions/consultations/evaluations; (2) the written opinions of such persons regarding the Company's Application; (3) the facts to which each person relied upon; and (4) a summary of the person's qualifications to render such discussions/consultations/evaluations.

4. For each person identified in response to Interrogatory No. 2 above, please identify all proceedings in all jurisdictions in which the witness/persons has offered evidence, including but not limited to, pre-filed testimony, sworn statements, and live testimony. For each response, please provide the following:

(a) The jurisdiction in which the testimony or statement was pre-filed, offered, given, or admitted into the record;

(b) The administrative agency and/or court in which the testimony or statement was pre-filed, offered, admitted, or given;

(c) The date(s) the testimony or statement was pre-filed, offered, admitted, or given;

(d) The identifying number for the case or proceeding in which the testimony or statement was pre-filed, offered, admitted, or given; and

(e) Whether the person was cross-examined.

5. Identify and provide all documents or other evidence that the Attorney General may seek to introduce as exhibits or for purposes of witness examination in the above-captioned matter.

6. Please provide copies of all pre-filed testimony provided by Messrs. Watkins,

Kollen, and Baudino in any utility regulatory proceeding in any jurisdiction in the last five years.

7. Please provide copies of any and all documents, analysis, summaries, white papers, work papers, spreadsheets (electronic versions with cells intact), including drafts thereof, as well as any underlying supporting materials created by Messrs. Watkins, Kollen, and Baudino as part of their evaluation of the Company's Application or used in the creation of Messrs. Watkins, Kollen, and Baudino's testimony.

8. Please provide copies of any and all documents not created by Messrs. Watkins, Kollen, and Baudino, including but not limited to, analysis, summaries, cases, reports, evaluations, *etc.*, that Messrs. Watkins, Kollen, and Baudino relied upon, referred to, or used in the development of their testimony.

9. Please provide copies of any and all presentations made by Messrs. Watkins, Kollen or Baudino within the last three years involving or relating to the following: 1) utility rate-making; 2) rate of return; 3) rider cost recovery; 4) depreciation; 5) taxes; 6) vegetation management; 7) costs of participating in PJM, including Regional Transmission Expansion Plan (RTEP) expenses; 8) utility generation outage maintenance expenses; and 9) sharing of off-system sales revenues between utilities and customers.

10. AG witness Watkins states on page 27 lines 26 through 28 of his testimony that the proposed Rate RS customer charge increase "...violates the regulatory principle of gradualism, violates the economic theory of efficient competitive pricing, and is contrary to effective conservation efforts." Please answer the following questions.

(a) Please define the regulatory principle of gradualism and, more specifically, in terms of how the Commission has applied it to utility rate design.

(b) Is witness Watkins aware of any Commission position or orders that address the concept of gradualism in a utility's residential tariff schedule? If yes, please provide a copy of the documents.

(c) Is witness Watkins aware of any Commission position or orders that address the concept of gradualism specifically for a single component, i.e. Customer Charge, of a utility's residential tariff schedule? If yes, please provide a copy of the documents.

(d) Is witness Watkins aware of any Commission position or orders that accept or approve his economic theory of efficient competitive pricing as described in his testimony on pages 27 through 34 for use in the design of a residential tariff schedule? If yes, please provide a copy of the documents.

(e) Is Mr. Watkins aware of any Commission position or orders concluding that Company's residential rate schedule is effective or ineffective for conservation purposes? If yes, please provide a copy of and a reference to the documents.

11. Does Mr. Watkins believe that Company's proposed Rate RS is a Straight Fixed Variable rate design?

12. Mr. Watkins states on page 30 lines 6 through 9 that "Fair and equitable pricing of a regulated monopoly's products and services should reflect the benefits received for the goods and services. In this regard, it is generally agreed in our society, and economic system, that those who receive more benefits should pay more in total than those who receive fewer benefits." Please provide the basis for the statement, "… it is generally agreed in our society,

and economic system, that those who receive more benefits should pay more in total than those who receive fewer benefits."

13. Mr. Watkins states on page 35 lines 4 through 6 that "...if an additional customer is added to the distribution system, the Company will not incur additional pole or conductor investment costs in order to serve this new customer." Please provide the basis and any empirical evidence for the statement.

14. Has Mr. Watkins performed any study or analysis comparing Duke Energy Kentucky's current and/ or proposed electric residential customer charge to that of other electric utilities regulated by the Commission?

(a) If the answer is in the affirmative, please provide such studies.

15. Within the last three years, has the Kentucky Attorney General's office performed any study or analysis comparing Duke Energy Kentucky's current and/or proposed electric residential customer charge to that of other electric utilities regulated by the Commission?

(a) If the answer is in the affirmative, please provide such studies.

16. Has Mr. Watkins or the Kentucky AG performed any study or analysis comparing Duke Energy Kentucky's current and/or proposed electric residential customer charge to that of other electric utilities in the country. If the answer is in the affirmative, please provide such studies.

17. Refer to Mr. Watkins' testimony on page 26 through 27 discussing the revenue increase to rates EH, GSFL, the Lighting class and DT-Primary. Is it Mr. Watkins' position that those classes should receive a greater percentage increase to offset the increase proposed to Rate RS?

(a) If the answer is in the affirmative, what is Mr. Watkins' recommendation?

(b) Has Mr. Watkins performed his own cost of service study or classification of costs to support his position that a greater percentage of costs should be assigned to Rates EH, GSFL, Lighting and DT-Primary.

18. Is Mr. Watkins aware of the Kentucky Public Service Commission ever approving the direct customer cost analysis methodology discussed on pages 33 through 34 of his testimony? If the answer is in the affirmative, please provide citations to such orders.

19. Is Mr. Watkins aware of the Kentucky Public Service Commission ever excluding all costs associated with conductors and poles from the fixed costs included in a customer charge calculation. If the answer is in the affirmative, please provide citations to commission orders excluding all such costs.

20. Has Mr. Watkins reviewed the customer a charge for any of the Company's other tariffs to see if they comport with his customer connection methodology for rate design?

21. On page 37, line 30-32, Mr. Watkins in describing the Company's proposed Fixed Bill program, states, "This program merely provides windfall profits to Duke with no realistic benefit to consumers. Please provide the basis for this statement, including all analysis performed to determine the Company's profits from the program offering, as well as any customer research or analysis performed to determine the benefit consumers would realize from participating in the Company's proposed fixed bill program?

22. On page 39, line 7-9, Mr. Watkins states, "However, in my opinion, the most important point to remember is that the proposed Fixed Bill program will provide incentives for customers to use more electricity, at least on a short term basis during peak periods." Please provide all analysis and data used by Witness Watkins to support his opinion?

23. On page 39, line 14 -16, Mr. Watkins states, "The estimation of expected consumption is extremely discretionary on the part of Duke, as is the discretionary aspect of the profit "adder" allowed by the Commission." Please provide the basis or rationale for Mr. Watkins belief that the calculation of expected consumption will be at the discretion of the Company?

24. Does witness Kollen agree with the proposed allocation of the impacts of the change in the tax law as proposed by Kroger witness Bieber?

(a) If the response is in the negative, please explain why Mr. Kollen does not agree.

25. Please indicate the extent to which Mr. Kollen has participated in any fuel adjustment cases for Duke Energy Kentucky since 2007.

26. Please describe the extent to which Mr. Kollen has reviewed any cases, filings, or other material involving Duke Energy Kentucky's profit sharing mechanism (Rider PSM).

(a) To the extent Mr. Kollen has reviewed any filings or cases, provide the citations to such documents reviewed.

27. Please explain the extent to which Mr. Kollen has participated in any case involving Duke Energy Kentucky since 2007.

28. Please identify any and all prior Commission cases involving Duke Energy Kentucky's electric business that Mr. Kollen has reviewed as part of drafting his direct testimony in Case No 2017-00321.

29. What is Mr. Kollen's understanding of what PJM Make Whole payments are for?

30. Is it Mr. Kollen's contention that Make Whole Payments received by Duke Energy Kentucky from PJM are anything more than to compensate the company in instances

when revenues received by the Company to run generation assets at PJM's request aren't greater than the units costs to run?

(a) If the response is in the affirmative, please explain.

31. Does Mr. Kollen agree that if the Company were to include PJM Make Whole Revenues in its forecasted test period, that it would be necessary to include a corresponding amount of expenses?

(a) If yes, please provide the amount of expense that the company should include in its forecasted test period.

(b) If no, please explain why it would not be appropriate to include the additional expense necessary for the generation station to run which enables the Make Whole Payment.

32. Does Mr. Kollen agree that Duke Energy Kentucky does not have control over and cannot predict whether or not its generation will be dispatched by PJM in market pricing situations that create the need for the receipt of Make Whole Payments from PJM?

33. Does Mr. Kollen agree that currently Duke Energy Kentucky allocates Make Whole Revenues and expenses to native customers for inclusion in its FAC and to non-native customers to be netted against costs through the Company's Profit Sharing Mechanism (Rider PSM) since 2007, the inception of Duke Energy Kentucky's FAC and PSM respectively?

34. Does Mr. Kollen agree that in Duke Energy Kentucky witness John Swez's direct testimony and attachments, the Company is proposing to continue including the actual costs and revenues associated with PJM Make Whole payments through either the FAC, if native, or PSM, if non-native?

(a) If the response is in the negative, please explain.

35. Is Mr. Kollen aware of any prior Commission orders that address the Company's treatment of charges and credits related to ancillary services?

36. Does Mr. Kollen agree that the Company currently nets all PJM ancillary service market revenues and expenses, including, but not limited to Reactive Revenues, and Scheduling & Dispatch Revenues and the corresponding expenses, through its Rider PSM, as was approved in Case No. 2008-489.

(a) Does Mr. Kollen agree that in this case, the Company is proposing to continue a netting of all ancillary service market revenues and expenses as between the FAC and Rider PSM as it relates to applicable native/non-native and fuel/non-fuel related components of these revenues and expenses?

(b) If Mr. Kollen does not agree, please explain the basis for his position.

37. Referring to Mr. Kollen's testimony on page 7-8 regarding an adjustment to the Company's Test Year base revenue requirement to include 2017 Scheduling & Dispatch Revenues and PJM Reactive Revenues, does Mr. Kollen agree that, per the terms of PJM's Open Access Transmission Tariff, these items are considered "ancillary services"?

38. Please explain why Mr. Kollen is proposing to reduce the Company's test year revenue requirement for revenue it receives for ancillary services (Scheduling and Dispatch, and Reactive Power in this case) but neglected to make any corresponding adjustment to the Company's revenue requirement for costs related to Scheduling and Dispatch and Reactive Power that it is billed by PJM.

39. Please cite the case numbers supporting the statement that "The Commission historically has included off-system sales margins in the base revenue requirement and

contemporaneously reset the PSM or other sharing mechanism to $0."

40. To Mr. Kollen's knowledge, has Duke Energy Kentucky ever included a "base" amount of off-system sales in its base rates?

(a) If the answer is in the affirmative, please provide citations for such cases.

41. On page 11, lines 6 and 7, of Mr. Kollen's testimony, he calculates an 'annualized' amount for the Company's 2017 outage costs based on the information provided in response to AG-DR-011(a). Please explain how MR. Kollen derived a figure of $1.788 million using information provided (i.e. January through September 2017 of $1.4425 million in the response).

42. Please confirm that Mr. Kollen is recommending that the Commission find that Duke Energy Kentucky should not plan to dismantle or decommission any of its generation assets at any point in the future, even after retirement.

43. Please confirm that Mr. Kollen is recommending that the Commission find the Duke Energy Kentucky should not perform any site restoration whatsoever to its generating stations once they are eventually retired.

(a) If the response is in the affirmative, please cite to any state or federal environmental law that would support such a position.

44. Please identify any and all Orders by the Kentucky Public Service Commission that support Mr. Kollen's position that the default position for decommissioning of a generating station is retirement in place with no demolition whatsoever.

45. Referring to Kollen Page 39, Line 15 through Page 40, Line 1 – please provide all calculations, work papers, etc. that demonstrate that dismantlement and site restoration is often not the economic alternative when compared to "retirement in place."

46. Please provide a list of generating plants that Mr. Kollen is aware have been retired in place and never have to be demolished and sites restored.

47. Refer to page 10 through 12 and 16 through 17 of Mr. Kollen's testimony, please explain why Mr. Kollen used a three year historical average for the AG's proposed replacement power adjustment but used a 7 year average (4 years historical and 3 years forecast) for the AG's proposed planned outage O&M adjustment.

48. Refer to pages 14 and 15 of Mr. Kollen's testimony where he discusses his adjustment for vegetation management expense, please confirm that his adjustment does not take into account the vegetation management bid estimates provided in response to AG-DR-02-001.

49. On Page 15 of his testimony, Mr. Kollen references actual vegetation management costs for 2012 through 2016 as his basis for comparing the Company's proposed test year vegetation management expense. Please explain why Mr. Kollen believes it is appropriate to use five years of historical data for calculating an average cost for vegetation management expense, but uses only three years (out of the five that were available and provided by the Company) when computing a recommended average historical expense for replacement power on page 11 of his testimony.

50. Is Mr. Kollen aware that the Commission requires the Company to have a vegetation management plan that includes, among other things, a right of way clearing cycle, maintenance requirements, and annual reporting on the progress of such plan?

51. Is Mr. Kollen aware that the work for the Company's vegetation management is primarily done through contract labor?

52. Describe any and all measures Mr. Kollen believes are available to a utility to 'control; costs from third party contractors doing vegetation management work?

(a) Does Mr., Kollen believe that Duke Energy Kentucky is not performing any of the actions he lists above?

(b) On what basis does Mr. Kollen have this belief?

53. On page 15, line 2, of his testimony, Mr. Kollen acknowledges that the Company's forecasted vegetation management expense is "based on indicative bids issued by the Company." Does Mr. Kollen dispute the legitimacy of the 'indicative bids' for vegetation management?

54. With respect to Mr. Kollen's recommendation to average the Company's historic actual vegetation management expense from the years 2012 through 2016, does Mr. Kollen agree that the Company's contracts for vegetation management, as were provided in response to AG-DR-01-001(f) and that contained the pricing for vegetation management costs during those years have expired?

i. If the response is in the negative, please explain why Mr. Kollen disagrees that the contracts expired.

ii. Does Mr. Kollen dispute that the Company has experienced increases in vegetation management expense for 2017 and the forecasted test period?

55. Has Mr. Kollen examined the Company's 2017 actual costs for vegetation management?

(a) If the response is in the affirmative, please provide any analysis, study, or opinions regarding the costs of vegetation management in 2017.

56. Has Mr. Kollen compared either Duke Energy Kentucky's test year vegetation management expense or his recommended adjustment to the Company's vegetation management

expense to that of any other utility in the Commonwealth of Kentucky?

(a) If the response is in the affirmative, please provide such comparison.

57. Please describe Mr. Kollen's experience with vegetation management of a utility's distribution system.

(a) Has Mr. Kollen ever been responsible for hiring vegetation management contractors to trim a utility's distribution system?

(b) Has Mr. Kollen ever competitively bid a vegetation management contract for a utility's distribution system?

(c) If the response is in the affirmative, please provide the following: the name of the utility, the year(s), the results of such a bid; whether it was on a time and material basis or costs per mile; the number of distribution miles; number of circuits; location; trimmed, and the annual cost.

58. Referring to Mr. Kollen's testimony on page 17, lines 3-6, Mr. Kollen stats that "the Commission historically has disallowed and removed all incentive compensation expense from the revenue requirement that were incurred to incentivize the achievement of shareholder goals as measured by financial performance, not incurred to incentivize the achievement of customer and safety goals." Please confirm that Mr. Kollen's proposed adjustment to incentive compensation was only intended to remove the portion of incentive compensation that related to the Company's financial performance.

59. Provide all information used or relied upon by Mr. Kollen to support his position stated on page 20 that having an EPS and TSR metrics as part of a short-term incentive plan leads to greater and more frequent rate increases from customers.

60. Provide all information supporting Mr. Kollen's position on page 20 that EPS and

TSR metrics discourage employees from working diligently to ensure costs are responsibly and prudently incurred which directly benefits the customer.

61. Provide all information supporting the implication that incentivizing employees to achieve a healthy EPS does not help reduce the cost of capital which directly benefits the customer.

62. If the Company were to transform its compensation plans to replace the EPS and TSR metrics used in its incentive plans to solely include such metrics as safety, service quality, or call-center response, please explain if Mr. Kollen would agree that the entire cost of employees' market-competitive pay should then be borne by customers.

63. Since the compensation tied to incentive target opportunities is part of market-competitive total pay, please explain why the portion related to EPS and TSR metrics is not a prudent expense that should be recovered through customer rates.

64. Provide a copy of all documents, plans, and contracts that explain and describe Mr. Kollen's current compensation structure at J. Kennedy and Associates.

(a) As Vice President of J. Kennedy and Principal with the firm Kennedy and Associates, does Mr. Kollen receive any compensation that is tied to the performance of J. Kennedy and Associates?

65. Please provide any written policies, guidelines, or documentation regarding the compensation for employees and prospective employees of J. Kennedy and Associates.

66. To the extent that J. Kennedy and Associates offers incentives to employees, please describe for each type of incentive plan, the extent to which the company's overall success influences the incentives paid out to its employees, partners, and executives.

67. Please describe the extent to which the compensation aid to employees, partners

and executives of J. Kennedy & Associates and offered to prospective employees is designed to retain and attract employees.

68. Is the overall compensation paid to employees, partners, and executives of J. Kennedy & Associates in any way designed to be competitive with its peer companies?

(a) If the response is in the affirmative, please explain.

69. In Mr. Kollen's opinion, do employees consider employment with J. Kennedy & Associates exclusively for the base salary offer or does he believe all of the salary and benefits making up the entire compensation package influences the decision of employees, prospective employees, partners, and executives, to work for or remain at J. Kennedy & Associates?

70. Does Witness Kollen agree that in accordance with the Federal Tax legislation referenced in his testimony, that the excess accumulated deferred income tax (ADIT) balances related to property (*i.e.* protected ADITs) must be amortized over the life of the remaining assets in accordance with average rate assumption method (ARAM) normalization principles.

(a) If Mr. Kollen does not agree that the Jobs and Tax Cuts Act requires ARAM normalization for property-related excess ADITS, please provide a detailed description of Mr. Kollen's understanding of the normalization rules related to the treatment of deferred taxes, explain the basis if this belief and provide citations to sections of the Jobs and Tax Cut Act that support such a position.

(b) Please confirm that Mr. Kollen's proposed adjustment for excess ADITs does not distinguish between property and non-property related excess ADITS and does not take into account the ARAM normalization required for Duke Energy Kentucky's property-related ADITs.

i. If the response is in the negative, please provide the amortization schedule used by Mr. Kollen to calculate the normalization of each property-related excess ADIT in electronic form with active cells intact.

ii. Mr. Kollen has recommended that the Company's excess ADITs be amortized over 20 years and refunded to customers. Does Mr. Kollen agree that the normalization rules would preclude amortization of excess ADITs related to property over 20 years if the remaining life of the underlying asset is longer (or shorter) than 20 years?

71. Regarding Mr. Kollen's recommendation related to AMI savings discussed on pages 21 through 23 of his testimony,

(a) Confirm that Mr. Kollen's calculation is based on the same savings estimates included in AG-DR-02-035(c)?

(b) If the answer to (a) is in the affirmative, does Mr. Kollen Agree that the information provided in response to AG-DR-02-035(c) was based upon the Commission's request that the Company assume a test year of 2019 for its next base electric rate case?

(c) Please explain whether and how Mr. Kollen accounted for the difference in the timing of the rate case assumed in AG-DR-02-03(c) and the timing that is the basis for this instant proceeding, including the delayed AMI deployment as a result of the timing of the Commission's approval of Case No. 2016-00152?

72. In calculating his AMI levelization adjustment, did Mr. Kollen assume any new costs over the fourteen years of forecasted savings? Would Mr. Kollen agree that at the time of the Company's next base rate case after full deployment, the O&M for that test year would reflect the steady state savings?

73. In calculating his AMI levelization adjustment to account for the full fourteen years of anticipated savings as depicted in the Company's cost-benefit analysis submitted in Case No 2016-00152 and provided in Confidential Attachment DLS-4 provided response to AG-DR-01-074a, did Mr. Kollen assume any of the incremental costs included in that same cost-benefit analysis over the fourteen year term?

74. On page 22 of his testimony, Mr. Kollen states that "the Commission should not depart from the methodology developed by the Company for this purpose in Case No. 2016-00152.

(a) Please indicate the extent to which Mr. Kollen participated in Case No. 2016-00152.

(b) Please describe the extent to which Mr. Kollen has reviewed the record in Case No. 2016-00152.

(c) Please indicate where in the record for Case No 2016-00152 the Company agreed to the methodology being advocated by Mr., Kollen.

(d) Please provide the basis for Mr. Kollen's belief that the Company departed from any directive, agreement or proposal made in Case No. 2016-00152?

75. On page 42, regarding plant retirement costs, Mr. Kollen states "[i]f the cost estimate or actual costs escalates in future years, then the increases, to the extent they are reasonable and prudent, can be reflected in periodic revisions and updates to depreciation rates

and expense." Please explain if Mr. Kollen believes this same statement applies for the projected AMI savings that he is including through the year 2032.

76. Mr. Kollen states in regards to Duke Energy Kentucky's proposed Rider FTR that "the Commission previously rejected a similar proposal made by Kentucky Power Company in Case No. 2014-00396." Is Mr. Kollen aware that the settlement agreement in Kentucky Power Company's current Case No. 2017-00179, includes language that would allow the company to defer for future recovery, its net PJM charges and credits above or below amounts included in base rates?

77. With respect to Mr. Kollen's testimony on pages 23 and 24 to reduce retirement plan expenses, provide all information used by Mr. Kollen to determine the market competitiveness of Duke Energy retirement plans (pension & 401(k)) in the utility sector.

(a) Provide all studies and analysis, including work papers created by Mr. Kollen to evaluate the market competitiveness of Duke Energy's retirement plans.

78. Considering Mr. Kollen relies upon the Commission's rulings for Cumberland Valley Electric, Inc., (CVE) and Kentucky Utilities (KU) as the basis for this ruling, please provide all analysis that compares the value of the CVE and KU retirement benefit to Duke Energy retirement benefit.

79. Provide an explanation of why Mr. Kollen believes the existence of a pension benefit is the basis for whether 401(k) costs should be recovered, with no analysis of whether the pension benefit is frozen, converted to a lesser cash balance formula, etc.

80. Duke Energy provides a 401K match enhancement that reduced the overall risk and expense of the pension benefit. Please provide the market data relied upon by Mr. Kollen

that shows the value of these combined benefits is excessive and should be reduced.

81. On page 30 of his testimony, Mr. Kollen compares the actual expenses for East Bend Unit 2 O&M deferrals through October 2017 to those projected to suggest that because actuals have been less than those forecasted and adjustment should be made to the projected deferral balance.

(a) Is it Mr. Kollen's belief that forecasted test year expenses should be revised based upon trends in in more recent historical data?

(b) If the response is in the affirmative, shouldn't updates then also be made for expenses that increase as well as those that decrease?

(c) Please reconcile the response to parts (a) and (b) with KAR 807:002 Section 16(6)(d).

82. Referring to Mr. Kollen's discussion regarding depreciation beginning on page 31 through 36, where he alludes to other changes that could impact life analysis, has Mr. Kollen a statistical life analyses study for each account?

(a) If the response is in the affirmative, please provide such studies in electronic form with all cells intact.

83. Referring to Mr. Kollen's discussion regarding depreciation beginning on page 31 through 36 has Mr. Kollen conducted a depreciation study for Duke Energy Kentucky utilizing the Equal Life Group (ELG) procedure?

(a) If the response is in the affirmative, please provide a copy of such study.

84. Is Mr. Kollen aware that the Company's current depreciation rates include a terminal net salvage component?

85. Is Mr. Kollen aware of any Kentucky jurisdictional utilities that do not include

terminal net salvage in their base rates as part of depreciation expense?

(a) If the response is in the affirmative, please provide a list of such utilities, and the orders of the Kentucky Public Service Commission that exclude the terminal net salvage component from rates.

86. Is the ELG procedure straight line depreciation? If so, how can the ELG depreciation rates always be greater than the ALG depreciation rate for each account?

87. Please explain in detail how Mr. Kollen's second and third approach to net salvage recovers the full service value of an asset while the asset is in service.

88. Please supply the workpapers in electronic format, all formulas intact, on how Mr. Kollen quantified his reduction of the escalation of terminal net salvage using the ALG procedure.

89. Please identify if Duke Energy Kentucky currently utilizes the "traditional approach" or first approach as identified by Mr. Kollen in his testimony.

90. Please identify which authoritative text, including page and chapter citations that support Mr. Kollen's approach to net salvage.

91. Regarding Mr. Kollen's recommendation on page 52 to offset capitalization whit short-term investments, please provide all examples known to Mr. Kollen, including case citations, of the Commission offsetting capitalization with short-term investments.

92. As part of its application, Duke Energy Kentucky is required to reconcile its proposed capitalization to its rate base (See FR 16(6)(f) of the Company's Application). Please provide a reconciliation of Mr., Kollen's final recommended capitalization $647,314,275 to the Company's electric rate base of $705,051,140 including an explanation of all items that make up the difference between Mr. Kollen's proposed capitalization and the Company's electric rate

base.

93. Please provide Mr. Baudino's return on equity recommendation and the return on equity authorized for each investor-owned electric/gas regulated utility case in which he has testified in the last five years along with a copy of such testimonies. Please also provide the prevailing yield on long-term Treasury bonds at the time of preparing these testimonies.

94. Please provide the currently authorized return on equity for each of the 19 utilities in your comparable companies shown on Exhibit No. RAB-5, Page 1.

95. Please provide exhibits RAB-4 to RAB-7 in MS Excel format, with all cells unlocked and formulae available.

96. Please provide for each company the underlying data used by Mr. Baudino to calculate his estimates of retention growth (B x R) shown on Column (3) of Exhibit RAB-5, Page 1.Given that utility companies pay dividends on a quarterly basis, please explain why Mr. Baudino relied on the annual version of the DCF model instead of relying on the quarterly version of the DCF model?

97. Which of the companies in Mr. Baudino's sample groups have rates set using future test years and which of those companies have rates set using historical test years?

98. Concerning Mr. Baudino's proxy groups of companies, indicate which companies possess capital investment rider clauses and/or similar risk-mitigating mechanisms.

99. Please provide a copy of the chapter containing the excerpt cited on Footnote 7, Page 26 of Mr. Baudino's testimony.

100. Please provide a copy of the chapter containing the excerpt cited on Footnote 8, Page 29 of Mr. Baudino's testimony.

101. Please provide copies of the popular press articles cited in Footnotes 9, 10, and

11.

102. Is it Mr. Baudino's contention that risk-mitigating mechanisms such as the DCI rider requested by the company is unique to the Company and is not reflected in capital market data such as bond ratings, stock prices?

103. Refer to Mr. Baudino's testimony Page 11. Are there any other explanations for the fact that utility bond yields are lower and the DJUA is higher during a time of rising Federal interest rates?

104. Refer to Mr. Baudino's testimony Page 18. What errors could occur in your DCF analysis since Duke Energy Kentucky is not a publically traded entity?

105. Refer to Mr. Baudino's testimony Page 21. What other major sources of analysts' forecasts for growth have you used in other DCF calculations?

106. Refer to Mr. Baudino's testimony Page 21. Why did you choose the three sources you used in this case?

107. Refer to Mr. Baudino's testimony Page 30. What is the basis for claiming that flotation costs are "likely" accounted for in stock prices?

108. Refer to Mr. Baudino's testimony Page 33. Why eliminate flotation costs in the DCF calculation; how "likely" is it that flotation costs are accounted for in stock prices?

109. Would Mr. Baudino support the DCI if obtaining a Commission CPCN and having an annual true-up process was included?

110. Is it Mr. Baudino's contention that the Duff & Phelps 2017 SBBI Yearbook (formerly Morningstar, formerly Ibbotson Associates) referenced on Page 28, Lines 5 – 6 and at the bottom of Exhibit RAB-7 has been in error for all these years in recommending the arithmetic average returns rather than the geometric average returns when estimating the cost of

common equity?

111. Please provide copies of, and citations, to any and all work papers, articles, textbooks, or publications (including but not limited to any electronic work papers, articles, or publications) of which Mr. Baudino is aware regarding the subject of issuance expenses (flotation costs).

112. Please provide copies of, and citations, to any and all textbooks, academic articles in refereed journals, or publications, relied upon by Mr. Baudino that substantiate his assertion on Page 35, Lines 14 – 15 that economists have overestimated interest rates in recent years.

113. Is it correct to assume that Mr. Baudino agrees with the Company's proposed capital structure?

114. Is Mr. Baudino currently teaching any college-level finance (corporate finance, investments, banking, etc.) courses?

(a) If the answer is affirmative, please identify the subjects of such courses and the syllabus and a list of textbooks/readings used in each course identified.

115. Has Mr. Baudino taught any college-level finance (corporate finance, investments, banking, etc.) courses in the last five years?

(a) If the answer is affirmative, please identify the subjects of such courses and the syllabus and a list of textbooks/readings used in each course identified.

116. Has Mr. Baudino ever presented formal cost of capital seminars to professional groups such as such as the National Association of Regulatory Commissioners, the National Association of State Utility Consumer Advocates, or any state regulatory commission? If so,

please provide a syllabus, table of contents, and list of references used in those seminars.

117. Please provide copies and/or summaries of any peer-reviewed book, monograph or article authored or co-authored by Mr. Baudino in the last five years dealing with the subject of finance and/or regulation.

Respectfully submitted,

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CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing is a true and accurate copy of the document being filed in paper medium; that the electronic filing was transmitted to the Commission on January 17, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that a copy of the filing in paper medium is being delivered via second day delivery to the Commission on the 17th day of January, 2018.

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