

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE ELECTRONIC APPLICATION OF	)	
DUKE ENERGY KENTUCKY, INC., FOR	)	
AUTHORITY TO 1) ADJUST NATURAL	)	Case No. 2018-00261
GAS RATES 2) APPROVAL OF A	)	
DECOUPLING MECHANISM 3)	)	
APPROVAL OF NEW TARIFFS; 4) ALL	)	
OTHER REQUIRED APPROVALS,	)	
WAIVERS, AND RELIEF	)	
	)	

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

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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 call 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 Office of the Kentucky Attorney General (Attorney General) shall produce each document or other requested tangible thing. For each tangible thing which Attorney General contends is 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**

### **General Questions**

1. Other than Lane Kollen please identify any persons, including experts whom the Attorney General has retained or consulted regarding evaluating the Company’s Application in this proceeding.

2. For each person identified in (prior) response to Interrogatory No. 1 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 or evaluations.



3. 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.

4. Please identify all proceedings in all jurisdictions in the last three years in which Lane Kollen has offered evidence, including but not limited to, pre-filed testimony, sworn statements, and live testimony and analysis. For each response, please provide the following:

- (a) the jurisdiction in which the testimony, statement or analysis was pre-filed, offered, given, or admitted into the record;
- (b) the administrative agency and/or court in which the testimony, statement or analysis was pre-filed, offered, admitted, or given;
- (c) the date(s) the testimony, statement or analysis was pre-filed, offered, admitted, or given;
- (d) the identifying number for the case or proceeding in which the testimony, statement or analysis was pre-filed, offered, admitted, or given;
- (e) whether the witness was cross-examined;
- (f) the custodian of the transcripts and pre-filed testimony, statements or analysis for each proceeding; and
- (g) copies of all such testimony, statements or analysis.

5. 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 Lane Kollen as part of

his evaluation of the Company's Application or used in the creation of Lane Kollen's testimony.

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

7. Please provide copies of any and all presentations or publications made, written or presented by Lane Kollen in a non-adjudicative forum 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) decoupling; and 7) weather normalization.

8. Please refer to Mr. Kollen's testimony at page 3 where he indicates that he is testifying "on behalf of the Office of the Attorney General of the Commonwealth of Kentucky." To avoid unnecessary litigation expense and to promote judicial economy, please indicate whether the Attorney General agrees with the arguments and claims made by Mr. Kollen and, if not, please identify which specific arguments or claims the Attorney General disclaims.

9. Please identify whether the Attorney General is taking any additional positions or making any additional recommendations on the Company's application that are not being offered by the direct testimony of Mr. Kollen in this proceeding.

10. Please confirm that Mr. Kollen is not a natural gas customer of Duke Energy Kentucky.

11. Please confirm that J. Kennedy And Associates is not a natural gas customer of Duke Energy Kentucky.

### **Cash-Working Capital**

12. Please refer to Mr. Kollen's testimony at page 7 where he states that the cash working capital method is outdated and inaccurate. Please identify whether Mr. Kollen has found the use of the one-eighth method for cash working capital acceptable in other rate cases involving other utilities.

- (a) If the response is in the affirmative, please identify the proceeding, jurisdiction, case, and provide a copy of any submitted testimony addressing that issue.
- (b) If the response is in the negative, has Mr. Kollen been involved in any utility rate cases where the regulatory body has approved the one-eighth method for cash working capital over Mr. Kollen's objection. If yes, please identify such proceedings, jurisdictions, including the utility and the date the regulatory body issued its order.

13. Please refer to Mr. Kollen's testimony at page 8 where he quotes from testimony provided by Duke Energy Ohio witness Peggy A. Laub in a proceeding before the Public Utilities Commission of Ohio.

- (a) Please state whether Mr. Kollen agrees with Ms. Laub's statement that a lead-lag study "invites considerable dispute over assumptions used to develop the study...."
- (b) If Mr. Kollen disagrees with the statement, please explain his basis for doing so.

14. Please refer to Mr. Kollen's testimony at page 10 where he asserts that a lead/lag study could be performed "at no incremental cost."



- (a) Please explain why Mr. Kollen believes there would be no incremental cost to perform a lead lag study.
- (b) Does Mr. Kollen have knowledge of whether the Company has sufficient staffing levels that would allow it to perform a lead lag study? If the answer is in the affirmative, please explain the basis of Mr. Kollen's knowledge.
- (c) Does Mr. Kollen believe that there would be an opportunity cost to the Company if it has in house employees perform a lead lag study?
- (d) Has Mr. Kollen ever performed a lead lag study?
- (e) Given the fact that the Kentucky Commission has typically accepted the one-eighth formula method for calculating cash working capital in Duke Energy Kentucky rate cases, please explain why Mr. Kollen believes it is a prudent use of the Company's resources to perform a lead lag study.
- (f) Please confirm that Mr. Kollen's personal knowledge of the facts in Case No. 2017-00349 and Case No. 2018-00281 is limited to the fact that Atmos Energy Corporation did not seek recovery of the lead lag study as rate case expense.
- (g) If Mr. Kollen has personal knowledge of the cost to Atmos Energy Corporation of preparing the lead lag studies, please provide a description of the basis for such knowledge.

15. Please state whether Mr. Kollen is familiar with any Commission precedent where the Commission has accepted the one-eighth methodology for calculating cash

working capital.

16. Please state the specific facts upon which Mr. Kollen relies to support the idea that the lead lag method would produce a result substantially different from the one-eighth methodology in this case.

**Meter Testing**

17. Please refer to Mr. Kollen's testimony on page 21. Please confirm that the AG supports the Company's request to expand the meter testing cycle to fifteen years.

**Weather Normalization Adjustment**

18. Please refer to Mr. Kollen's testimony on page 14. Please confirm that Mr. Kollen is offering no opinion on the Company's Weather Normalization Adjustment mechanism.

**Benefits Expense**

19. Please state whether Mr. Kollen believes that public utility employees across Kentucky should pay the same proportion of health insurance costs?

**Transportation Revenue**

20. Has Mr. Kollen reviewed Schedule M that was filed in the Company's application?

21. Mr. Kollen states, on page 13 line 16 of his testimony, "[t]he Company included forecast transportation revenues of \$1.405 million in the test year."

- (a) Does Mr. Kollen agree that test year revenue projections should be sourced from Schedule M?
- (b) Does Mr. Kollen know if the revenue value he states of \$1.405 million contains the same components of revenues that are included in the

other revenue values Mr. Kollen states in his testimony on page 13 lines 17 through 19?

- (c) Does Mr. Kollen agree that the \$1.405 million revenue value is associated with interruptible transportation only?

**Integrity Management Deferral**

22. Please refer to Mr. Kollen's testimony on page 33. Would Mr. Kollen agree that in its response to AG-DR-01-048(e), in which it provided a detailed explanation for the cost increase, the Company indicated that the reasons for "the cost increases were two-fold?"

- (a) If yes, please confirm that the other reason provided by the Company was "it was necessary to conduct the pressure testing in two phases".
- (b) If no, please explain why Mr. Kollen chose not to consider the second reason offered by the Company as a reason for the increase in expense.
- (c) How did Mr. Kollen determine that the second reason for the increase in expense provided by the Company in response to AG-DR-01-048e was the "primary" reason for the increase rather than it was necessary to conduct the pressure testing in two phases"?
- (d) Does Mr. Kollen believe both reasons provided were potential reasons for the increase?

23. Does Mr. Kollen believe the Company acted imprudently in conducting the pressure testing in two phases, rather than risk system integrity and reliability constraints during the winter heating season?

- (a) If the response is in the affirmative, please explain why it would have been prudent for the Company to risk the integrity and reliability of the natural gas system in order to complete the required pressure testing at one time and to prevent incurring additional expense.

24. Is Mr. Kollen aware that the Company made “post case referenced correspondence” with the Commission on both September 30, 2016, and March 15, 2017, that provided the reasons for the estimated increase in expense?

25. Please explain why Mr. Kollen would not consider this additional post case referenced correspondence to be a request for additional increases.

26. Please explain what Mr. Kollen believes the Commission meant by the phrase “its authorization was for accounting purposes only and that the amount to be amortized and recovered in rates shall be determined in Duke Energy Kentucky’s next gas rate case.” Does Mr. Kollen believe that this language meant that the Company was only allowed to recover the revised estimate or lesser amount?

**Cost of Long-term Debt**

27. Please provide references to any other forecasted period rate cases in Kentucky in which the applicant was permitted to update forecasted information based on actual results.

28. Does Mr. Kollen believe that it would be appropriate for Duke Energy Kentucky to update the cost of its long-term debt issuances if it would have resulted in an increase in the overall revenue requirement?

29. Does Mr. Kollen believe that it would be appropriate for Duke Energy Kentucky to update its forecasted rate base, expenses or other elements of its requested revenue requirement based on actual results?

**Reduce 401K Matching Costs for Union Employees Who Also Participate in Defined Benefit Plan**

30. With respect to Mr. Kollen's testimony on page 26 to "give Duke an opportunity to address the union portion of the expense prior to its next base rate proceeding," does Mr. Kollen agree that this language referred to the Company's next electric base rate proceeding?

(a) With respect to this proceeding, does Mr. Kollen agree that the current union contract is effective until May 14, 2020 and therefore there will not be an opportunity for the Company to negotiate the 401K Matching Costs for union employees until it is time to renegotiate or renew the current union contract?

(b) Does Mr. Kollen agree that the Company should have the same opportunity with regards to the union 401K matching costs as the Commission provided for in the Company's electric base rate case and give the Company the opportunity to address this issue prior to its next natural gas base rate case?

31. 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.

32. On page 26, line 14, of his testimony, Mr. Kollen states that "[t]he Commission noted this precedent, although it did not make an adjustment in the recent



Duke Energy (electric) proceeding...” Mr. Kollen references pages 22-23 of the Commission’s April 13, 2018, Order in Case No. 2017-00321 for making this statement. Please provide the exact citation in the April 13, 2018, Order in Case No. 2017-00321 where the Commission “notes the precedent” being referenced by Mr. Kollen.

**Reduce Other Employee Benefit Expense to Reflect Increased Employee Sharing of Premiums**

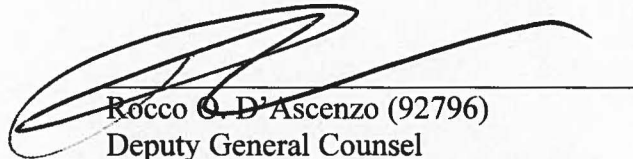
33. With respect to Mr. Kollen’s testimony on pages 29 and 30 to increase employee sharing of premiums, please explain what recent precedent established increased employee sharing of premiums and an explanation of why this precedent should be applied in this case.

34. With respect to Mr. Kollen’s testimony on pages 29 and 30, please explain the basis for providing no recovery for LTD insurance premiums. On page 29 of his testimony, beginning on line 16, Mr. Kollen argues that “Commission precedent is to provide recovery of medical insurance premiums based on the assumption that the employee pays 21 percent of the total cost for single coverage and 33 percent of the total cost for all other types of coverage, to provide recovery of dental insurance premiums based on the assumption that the employee pays 60 percent of the total cost of coverage, and to provide no recovery for long-term disability insurance premiums.” In footnote 37, Mr. Kollen cites three cases for his assertion that his recommendation is consistent with Commission precedent. Is Mr. Kollen aware of any case involving an investor-owned utility regulated by the Kentucky Public Service Commission for which the Commission required the adjustments regarding the sharing of premiums, on pages 29 and 30?

- (a) Did the Commission's Orders in the most recent rate cases for LG&E, KU, Duke Energy Kentucky, Kentucky Power, Atmos Energy, Columbia Gas, Delta Natural Gas, or Kentucky American Water Company include an adjustment similar to what is being proposed by Mr. Kollen regarding the sharing of insurance premiums.

35. For each of the questions above, the extent the Attorney General's own responses to any of these questions otherwise directed to Mr. Kollen would differ than that of Mr. Kollen's, please explain in detail why and how the Attorney General's responses would differ.

Respectfully submitted,



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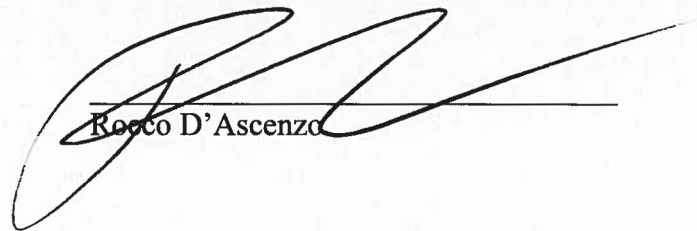
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*Counsel for Duke Energy Kentucky, Inc.*

**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 December 21, 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 21<sup>st</sup> day of December 2018.



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