

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 New Tariffs; 3)) Case No. 2019-00271
Approval of Accounting Practices to Establish)
Regulatory Assets and Liabilities; and 4) All)
Other Required Approvals and Relief.)

**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

General Questions

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 related to the pending case 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/person 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 witness/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.

Questions for Witness Baudino

10. a) Please identify each rate case for an investor-owned regulated electric utility, natural gas utility or combination electric and natural gas utility, in which Mr. Baudino has testified in the last five years.

b) Please provide Mr. Baudino's recommended return on equity for each rate case identified in part (a).

c) Please provide the prevailing yield on long-term Treasury bonds at the time Mr. Baudino submitted his recommended return on equity for each rate case identified in part (a).

11. a) Please provide a copy of all articles, documents, textbooks (or relevant portions of such documents) cited in Mr. Baudino's testimony and footnotes.

b) Please provide a hard copy of the Edison Electric Institute document cited on line 13, page 13 and line 5, page 14 of Mr. Baudino's testimony. Please provide the most recent editions of this document.

12. Please provide the currently authorized return on equity for the each of the utilities in Mr. Baudino's peer group of utility companies.

13. Provide all work papers and supporting documentation, including spreadsheets with cells intact, used and relied upon by Mr. Baudino in the preparation of his Direct Testimony and exhibits, which have not already been provided.

14. Provide Excel spreadsheet versions of Mr. Baudino's exhibits with cell formulas intact.

15. On page 21, lines 15-16, Mr. Baudino adjusts the dividend yield by $(1 + 0.5g)$. Please provide any reference to any college-level corporate finance textbook that relies on such a model. Does the classic Brealey, Myers, Allen textbook rely on this approach in performing the DCF model? Does the Duff & Phelps Valuation Yearbook cited by Mr. Baudino on lines 3-4 of Page 27 rely on such an adjustment?

16. On page 2 of Exhibit RAB-4, Mr. Baudino reports the results of his DCF analyses in summary form only. Please provide in Excel readable format the DCF results for each company in his peer group using the various growth proxies.

Questions for Witness Kollen

17. In Case No. 2015-00343, Mr. Kollen provided testimony objecting to Atmos Energy's proposal to include in rate base its regulatory asset for rate case expense. Please confirm that the settlement approved by the Commission in that proceeding did not exclude this regulatory asset.

18. In Case No. 2018-00281, Mr. Kollen provided testimony on behalf of the Attorney General recommending adjustments to Atmos Energy's proposed revenue requirement. Does Mr. Kollen agree that (1) he made no recommendation to eliminate Atmos Energy's proposed addition of the rate expense regulatory asset from rate base and (2) the approved rate base in that proceeding included the regulatory asset for rate case

expense.

19. Please provide a reference in the Kentucky Administrative Regulations that limits how frequently a utility should update its depreciation studies.

20. Please provide previous cases where the Kentucky Public Service Commission has deemed it imprudent to perform a new depreciation study as part of a base rate case.

(a) Please state if Mr. Kollen is aware of the Kentucky Public Service Commission ever opining on the frequency of depreciation studies performed by utilities in base rate proceedings?

(b) If the response is in the affirmative, please provide citations to all such orders/opinions.

21. Refer to Page 62 of Mr. Kollen's testimony. Please provide the detailed calculations that support Mr. Kollen's claim that the future revenue requirement for the battery storage project will be approximately \$1.384 million.

22. Please provide the detailed calculations that support your claim that the annual credit associated with the battery storage project in RIDER PSM will be \$0.637 million.

23. Please confirm that Mr. Kollen's proposed adjustment to remove \$346k in the revenue requirement related to the EV pilot and the battery storage pilot was calculated using 9.8% ROE as filed by the Company in its Application.

(a) If yes, does Mr. Kollen agree that his adjustment to remove the battery storage and EV pilot should be \$317,528 and \$135,447 respectively if using his recommended 9.0% ROE?

(b) Does Mr. Kollen agree that his adjustment to remove the battery storage and EV pilot, if adopted by the Commission, should be calculated with the final ROE approved by the Commission.

(c) If no, please explain why?

24. Please refer to Mr. Kollen's discussion of depreciation rates unit life spans for combustion turbine units on pp. 55-56 of his testimony. Does he agree that the units referenced have either undergone, or are likely to undergo, major overhauls during the overall period of their service?

25. Is Mr. Kollen a Certified Depreciation Professional?

26. Has Mr. Kollen ever performed a power plant decommissioning study?

27. Has Mr. Kollen ever bid on or worked on the decommissioning of a power plant?

28. For each combustion turbine plant referenced on page 55 of Mr. Kollen's testimony, please provide the following:

The year placed in service;

(a) The fuel type;

(b) The MW capacity;

(c) The type of combustion turbine technology (e.g., frame, reciprocating engine, etc.);

(d) Any known major capital expenditures since the plant was placed in service; and,

(e) If Mr. Kollen is not aware of any of this information for any of the plants listed on page 55 of his testimony, or if he did not consider

any of this information when making his recommendations, please state so.

29. Please list all Duke Energy Kentucky programs currently approved by the KY PSC which are not strictly “necessary for the provision of electric service.”

30. What evidence leads Mr. Kollen to believe that the Electric Vehicle Pilot will be managed by another Duke Energy affiliate and not Duke Energy Kentucky?

31. Please describe the extent to which, if any, Mr. Kollen’s proposed adjustment to rate base for Accounts Payable Related to Fuel overlaps with the proposal he characterizes as an “alternative adjustment” for Customer Financing of Materials and Suppliers Inventories. Assuming the Accounts Payable Related to Fuel is included in the Materials and Supplies Inventories, does Mr. Kollen agree that he is double counting at least part of his adjustment?

32. Does Mr. Kollen agree that deferred income taxes can only exist if there is a difference in book and taxable income?

33. Does Mr. Kollen agree that there can be no deferred incomes taxes if a company is not allowed to earn a net income?

34. Assuming the Commission adopts Mr. Kollen’s proposal that Duke Energy Kentucky is only allowed to charge customers for a return at the Money Pool short-term interest rate, would Mr. Kollen agree that the implication is that Duke Energy Kentucky’s customers are not responsible for Duke Energy Business Services’ net income?

35. Explain why Mr. Kollen believes it is appropriate to refund any deferred income taxes to Duke Energy Kentucky’s customers when he simultaneously is arguing

that Duke Energy Kentucky's customers are not responsible for any of the income for Duke Energy Business Services that would generate deferred income taxes.

Questions for Witness Watkins

36. Refer to the Commission's April 13, 2018 Order, pages 44-45, in Case No. 2017-00321 approving Duke Energy Kentucky current base rates where the Commission found that "Duke Kentucky's revised 12-CP COSS supports a residential customer charge in the amount of \$11.31, which includes all costs identified as customer-related in its Case No. 2017-00321 COSS. This method of calculating the customer charge is generally accepted in the utility industry and is being accepted by the Commission."

- (a) Is Mr. Watkins suggesting that the COSS methodology approved by the Commission in Case No. 2017-00321 differs from the COSS methodology being proposed in this instant case?
- (b) If the answer to (a) is yes, please provide a detailed summary of all differences noted by Mr. Watkins impacting the calculation of the residential customer charge.

37. AG witness Watkins states on page 8 lines 7 and 8 of his testimony that "competitive market-based prices are generally structured based on usage, *i.e.* volume-based pricing." Please provide any research or studies that supports this statement.

38. Mr. Watkins states, on page 10, lines 19 and 20 of his testimony, that "users requiring more of the Company's products and services should pay more than customers who use less of these products and services." Under the company's proposed rates, do users who use more of the Company's products and services pay more than customers who use less of these products and services?

39. Mr. Watkins states, on page 12, lines 19 and 20, that “Consumers and the market have a clear preference for volumetric pricing.”

- (a) Please provide any research or studies that support this statement.
- (b) Has he performed any surveys of Duke Energy Kentucky customers on their desire for volumetric pricing?
- (c) If answer to (b) is in the affirmative, please provide.

40. Does Mr. Watkins believe that the Company’s proposed Rate RS is a Straight Fixed Variable rate design?

41. Mr. Watkins states on page 9 lines 22 through 25 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.

42. Mr. Watkins states on page 5 lines 4 through 6 that “...if an additional customer is added to the distribution system, the Company will not incur additional conductor investment costs in order to serve this new customer.” Please provide the basis and any empirical evidence for the statement.

43. 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? If the answer is in the affirmative, please provide such studies.

44. 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.

45. Is Mr. Watkins aware of the Kentucky Public Service Commission ever approving the direct customer cost analysis methodology discussed on pages 15 and 16 of his testimony? If the answer is in the affirmative, please provide citations to such orders.

46. 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.

47. Refer to page 3, lines 9-10 of Mr. Watkins' testimony, where he opines that low income customers would incur very large percentage increases in their total electric bills. Please provide the information, including any workpapers, relied upon to support his opinion.

48. Refer to page 9, lines 25-28 of Mr. Watkins' testimony, where he opines that kilowatt hour (kWh) usage is the best indicator of benefits received by a customer. Please provide the information, including any documents, upon which he relied upon to support that opinion.

49. Please state whether Mr. Watkins has ever opined in a different proceeding that electric pricing should not reflect the utility's long-term costs, wherein all costs are variable or volumetric in nature.

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 3, 2019; 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 3rd day of January 2019.



Rocco D'Ascenzo