

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF EAST)	
KENTUCKY POWER COOPERATIVE, INC.)	
FOR A GENERAL ADJUSTMENT OF RATES,)	CASE NO.
APPROVAL OF DEPRECIATION STUDY,)	2021-00103
AMORTIZATION OF CERTAIN REGULATORY)	
ASSETS, AND OTHER GENERAL RELIEF)	

INITIAL DATA REQUESTS OF EAST KENTUCKY POWER COOPERATIVE, INC.
TO THE ATTORNEY GENERAL AND NUCOR STEEL GALLATIN

Filed: July 12, 2021

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, advisors, consultants, 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 party 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 a data request 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. If any request appears confusing, please request clarification directly from counsel for East Kentucky Power Cooperative, Inc., (“EKPC”).

7. 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 terms “Nucor” and “Company” shall mean Nucor Steel Gallatin LLC, and shall include, but is not limited to, each and every agent, employee, servant, advisor, consultant, insurer and/or attorney of Nucor Steel Gallatin LLC.
- (e) The term “AG” shall refer to Kentucky Attorney General Daniel Cameron, in his official capacity, and shall include, but is not limited to, each and every agent, employee, servant, advisor, consultant of the Office of the Attorney General.
- (f) The term “Commission” shall mean the Kentucky Public Service Commission.
- (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 Company shall produce each document or other requested tangible thing. For each tangible thing which Company 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 Commission Staff.

8. The information requested herein is due back to EKPC no later than 7 calendar days after service of this request.

Respectfully submitted,



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Questions for Lane Kollen

1. Please refer to the Direct Testimony of Lane Kollen (“Kollen Testimony”), page 5.
 - a. Confirm that EKPC utilized a historic test year rather than a forecasted test year.
 - b. Confirm that EKPC’s test year is the 12 months ending December 31, 2019.
 - c. Confirm that when a historic test year is utilized, the Kentucky Commission recognizes known and measurable changes that occur up to six months beyond the end of the test year.
2. Please refer to the Kollen Testimony, pages 6 and 7. Confirm that Mr. Kollen’s proposed adjustment to normalize capacity benefit revenues is based on the balance for that account as of December 31, 2020.
3. Please refer to the Kollen Testimony, pages 7 and 8. Confirm that Mr. Kollen’s proposed adjustment to normalize leased property income is based on the balance for that account as of December 31, 2020.
4. Please refer to the Kollen Testimony, pages 8 through 12.
 - a. Please provide references supporting Mr. Kollen’s statements concerning savings in contractor expenses noted on pages 10 and 11.
 - b. Refer to page 11, lines 4 through 7. Please identify the specific “new positions that do not reflect the actual operation of the Company in the test year and that have not been justified as necessary to operate the Company now or in the future.”
 - c. Did Mr. Kollen perform or have performed any analyses of wage and salary adjustments awarded to regulated electric utilities during 2019 and 2020? If yes, provide the analyses.

5. Please refer to the Kollen Testimony, pages 12 and 13. Confirm that Mr. Kollen’s proposed adjustment to reduce other postretirement benefits expense is based on the net periodic benefit cost reported for calendar year 2020.
6. Please refer to the Kollen Testimony, pages 13 through 17.
 - a. Confirm that the 2020 balances Mr. Kollen utilizes for his proposed adjustment to forced outage and highest purchased power expense annualization reflect the balances as of December 31, 2020.
 - b. Refer to page 15, lines 6 and 7.
 - i. Please provide all information upon which Mr. Kollen relied in making the assertion that “2015 expense is not recurring or indicative of future highest purchased power expense excluded from the FAC.”
 - ii. Please describe in detail Mr. Kollen’s qualifications for predicting the future.
 - c. Refer to page 15, lines 11 and 12.
 - i. Please confirm that Mr. Kollen’s conclusion is based upon statistical analysis and not any engineering judgment or expertise.
 - ii. If Mr. Kollen’s conclusion is based upon anything other than statistical analysis, please describe in detail the basis for his conclusion.
7. Please refer to the Kollen Testimony, pages 17 through 19.
 - a. Confirm that the 2020 balances Mr. Kollen utilizes for his proposed normalization of generation maintenance expense reflects the balances as of December 31, 2020.
 - b. On page 17 Mr. Kollen notes that the Commission has allowed or required Kentucky Utilities Company, Louisville Gas & Electric Company, Kentucky

Power Company, and Duke Energy Kentucky to normalize major generation outage expense. For each of the listed utilities, please provide the following information:

- i. The case numbers of the rate cases where the generation maintenance expense normalization were first authorized or required.
 - ii. Indicate if the rate cases were fully adjudicated or settled.
8. Please refer to the Kollen Testimony, page 19. If the Commission utilized a five-year average for normalized generation maintenance expense based upon the years 2016-2020, would Mr. Kollen agree that a tracking mechanism to true-up over or under recoveries would be appropriate?
9. Please refer to the Kollen Testimony, Exhibit LK-10, page 4 of 10. In explaining why generation maintenance expense was lower in 2020 than 2019, EKPC stated “However, it should be noted that EKPC does not believe that production maintenance expense for 2020 is a representative year for comparison purposes. Several projects, including a scheduled major overhaul, were deferred or cancelled due to COVID-19.”
 - a. Would Mr. Kollen agree that the COVID-19 pandemic impacted the normal operations of virtually every business in the United States during 2020?
 - b. Would Mr. Kollen agree that such impacts would constitute an unusual circumstance or occurrence?
 - c. At no time during the discussion of his proposed adjustments to EKPC’s test year does Mr. Kollen mention or acknowledge the possible effects or impacts of the COVID-19 pandemic. Please provide an explanation of why this factor was not addressed by Mr. Kollen.

10. Please refer to the Kollen Testimony, pages 20 through 35. Concerning Mr. Kollen's comments on depreciation:

- a. Is Mr. Kollen a Certified Depreciation Professional, a certification program administered by the Society of Depreciation Professionals?
- b. Has Mr. Kollen ever conducted a full depreciation study?

11. Please refer to the Kollen Testimony, page 22, lines 4 through 7 and footnote 25. Mr. Kollen makes the statement “. . . although its witness in the prior rate proceeding filed testimony that it planned to do so when base rates were reset in that proceeding” and cites the Direct Testimony of Frank Oliva from Case No. 2010-00167. The testimony by Mr. Oliva cited by Mr. Kollen states:

Q. How is depreciation expense budgeted?

A. For existing plant, Plant Accounting calculates the most recent month's depreciation expense then annualizes that amount to arrive at the budgeted expense for the year. For new plant, Plant Accounting analyzes budgeted capital additions, categorizes these additions into the appropriate asset account noting the date the project is to be completed or the asset is to be placed in service, then calculates depreciation with the rate associated with the asset account. EKPC's last depreciation study was approved by the Commission in Case No. 2006-00236. A summary of depreciation rates is included under tab 41.

Confirm that Mr. Kollen's summary does not reflect the testimony of Mr. Oliva.

12. Please refer to the Kollen Testimony, page 23, beginning at line 9.

- a. Can Mr. Kollen cite any authoritative depreciation texts that support the use of a depreciation methodology where depreciation rates are developed without the consideration of interim retirements or net salvage?
- b. Is Mr. Kollen aware of other electric utilities that have depreciation rates developed based on the inclusion of interim retirements (interim survivor curves) or net salvage?

13. Do the proposed depreciation rates for transmission and distribution plant include a net salvage component?
- a. If the answer is yes, why does Mr. Kollen believe it is appropriate to exclude any net salvage component for production plant?
 - b. If the answer is no, please explain why the answer is no.
14. Please refer to the Kollen Testimony, page 24, line 20 through page 25, line 6.
- a. Confirm that the stipulation agreement in the Kentucky Utilities and Louisville Gas & Electric rate cases, Case Nos 2020-00349 and 2020-00350, states in paragraph 6.12 that “This Stipulation shall not have any precedential value in this or any other jurisdiction.”
 - b. Confirm that the settlement agreement in the Kentucky Power rate case, Case No. 2014-00396, states in paragraph 28(b) that “This Settlement Agreement shall not have any precedential value in this or any other jurisdiction.”
 - c. Confirm that the Commission’s Order in Case No. 2014-00396 states on page 74 that “Our approval of the Settlement, as modified herein, is based solely on its reasonableness and does not constitute precedent on any issue except as specifically provided for therein.”
15. Concerning Mr. Kollen’s proposed treatment of terminal net salvage for production plant, please provide a detailed explanation as to why it is reasonable for current customers to enjoy the benefits from the production plant assets but not be required to pay any of the costs associated with the retirement of those assets. In addition, explain why is it reasonable for future customers who received no benefits from those production plant assets to be required to pay the full costs associated with the retirement of those assets.

16. Please refer to the Kollen Testimony, page 31, line 31 through page 32, line 1 and footnote 34. In this section of his testimony Mr. Kollen discusses operating lives of combustion turbines to be 45 to 70 years and references an Energy Information Agency publication as support. Please admit or deny that the actual average age of combustion turbine retirements in the referenced document is actually 36 years.
17. Please refer to the Kollen Testimony, page 32, lines 2 through 24. For each unit identified in Mr. Kollen's quoted testimony, please provide the amount of money spent on each unit for:
 - a. Maintenance; and
 - b. Replacement of any components of each unit.
18. Is it possible that the life span for every generation asset owned and operated by EKPC could in fact turn out to be less than that currently estimated by EKPC?
19. Please refer to the Kollen Testimony, pages 35 through 38. Concerning Section 1.2.5 of the Stipulation Agreement approved by the Commission in Case No. 2015-00358,
 - a. Confirm that the 10-year amortization period that began on January 1, 2017 would end at December 31, 2026.
 - b. Assuming the effective date of new rates in this proceeding was October 1, 2021, confirm that under Mr. Kollen's recommendation the amortization of the Smith 1 regulatory asset would end at September 30, 2028.
20. Please refer to the Kollen Testimony, pages 38 through 44.
 - a. On page 39, lines 3 through 6, Mr. Kollen states "The Company is not entitled to recover the interest expense incurred to finance non-utility investments and a related TIER through the ratemaking process unless there is interest income that

exceeds the interest expense and related TIER.” Please provide the authority for this statement.

- b. Is Mr. Kollen aware of *any* value to holding a short-term investment portfolio identical to the one held by EKPC at the end of the test year?
- c. On page 40, lines 10 through 12, Mr. Kollen claims that EKPC’s balance for short-term temporary investments at June 30, 2020 was \$111,000,000 and cites in footnote 39 this information comes from Application Exhibit 13 – Exhibit ISS-2 – Balance Sheet. Confirm that the balance sheet shown on Exhibit ISS-2 clearly states the reported balances are as of test year end, which is December 31, 2019.
- d. On page 42, lines 2 and 5, Mr. Kollen discusses the impact on EKPC relevant credit metrics if it were to sell its short-term investment portfolio and redeemed an *equivalent* amount of long-term debt.
 - i. Confirm that the “Farm Bill” enabled balance holders to use existing cushion of credit funds to prepay RUS and FFB debt without a prepayment penalty through September 30, 2020, and prohibited new deposits into the cushion of credit as of its passage on December 20, 2018.
 - ii. Confirm that if EKPC were to sell its short-term investment portfolio and use those funds to prepay RUS and FFB debt, it would incur prepayment penalties.
 - iii. Has Mr. Kollen calculated what the prepayment penalties would be for such a prepayment of RUS and FFB debt? If so, provide the amount with all supporting calculations.

- e. On page 43, line 19 through page 44, line 6, Mr. Kollen states his recommendation and the effect. Confirm that the recommendation as proposed by Mr. Kollen adjusts only EKPC's interest expense and not its interest income.
21. Please refer to the Kollen Testimony, pages 44 through 47.
- a. In calculating his recommended adjustment, explain why Mr. Kollen used the average interest rate based on the 2019 actual interest expense rather than the normalized interest expense.
 - b. Please refer to Exhibit LK-22, page 2 of 5. Does Mr. Kollen agree that construction work in progress included in the environmental surcharge is financed with general funds rather than long-term debt financing? If he does not, provide supporting documentation for his position.
 - c. If it were assumed that 100% of the general funds used to finance construction work in progress came from borrowing from the credit facility, explain why the interest expense adjustment recommended by Mr. Kollen shouldn't be determined utilizing the interest rate for the credit facility rather than long-term debt.
22. Please refer to the Kollen Testimony, pages 47 to 58.
- a. Confirm that any TIER authorized by the Commission does not guarantee that TIER level will actually be achieved in any subsequent period.
 - b. On page 52, line 16 through page 53, line 1, Mr. Kollen compares the last authorized TIER of 1.50 with the average actual earned TIER of 1.34 for the years 2016 through 2020. This represents a difference of approximately 11% between the authorized and average earned TIER levels. Assuming this relationship

between authorized and actual TIER levels were to continue, confirm that an authorized TIER of 1.30 could result in an actually earned average TIER of 1.16.

- c. On page 54, lines 7 through 14, Mr. Kollen compares EKPC's TIER proposal with the currently authorized TIER for Big Rivers Electric Corporation ("Big Rivers").
 - i. Please provide Big Rivers' credit ratings and identify the corresponding rating agencies.
 - ii. Confirm that Big Rivers received its second investment-grade rating in December 2020.
 - iii. Are the investment ratings for Big Rivers the lowest ratings possible that are still considered investment grade? If not, how close to the minimum level are the current ratings?
23. Throughout his direct testimony, Mr. Kollen recommends additional adjustments for other known and measurable changes in 2020 not recognized by EKPC that he contends should be made. Please refer to EKPC's response to the AG and Nucor's Initial Request for Information, Request 16. At the request of the AG and Nucor, EKPC calculated an adjustment to annualize its test year revenues for changes in customers and usage. In the response, EKPC calculated an annualization of base rate revenues based on actual sales data for the first six months of 2020. This calculation indicated a reduction in base rate revenues of \$67.01 million. EKPC also included a comparison of the change in base rate revenues between calendar years 2019 and 2020. The comparison indicated a reduction in base rate revenues of \$50.03 million. Explain why Mr. Kollen proposed no adjustment to recognize either of these base rate revenue reductions.

24. Please refer to the Kollen Testimony, page 1, line 15 through page 2, line 5 and Exhibit LK-1, page 1 of 37.

- a. Explain why the professional certifications listed on page 2 do not match the listing on Exhibit LK-1.
- b. Concerning the professional certifications, please describe each license and the current status of that license.
- c. On page 2 Mr. Kollen states he is a “member of numerous” professional organizations and lists three of these organizations. On Exhibit LK-1, Mr. Kollen lists only four organizations as “professional affiliations”. Please explain if the affiliations listed on Exhibit LK-1 are the only professional organizations Mr. Kollen currently has membership with.
- d. For each of the professional affiliations listed in Exhibit LK-1, please provide the status of Mr. Kollen’s membership as of the filing date of his direct testimony.

Question for the Office of the Attorney General

25. Does the Attorney General have an opinion on the rate design proposed by Mr. Stephen J. Baron? If so, please state the Attorney General’s opinion.