

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

**In the Matter of:**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>DELTA NATURAL GAS COMPANY, INC.</b>	)	
<b>FOR AN ADJUSTMENT OF ITS RATES</b>	)	<b>Case No. 2021-00185</b>
<b>AND A CERTIFICATE OF PUBLIC</b>	)	
<b>CONVENIENCE AND NECESSITY</b>	)	

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**OAG’S RESPONSE TO DATA REQUESTS OF DELTA**

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The Office of the Attorney General, Office of Rate Intervention, provides the following responses to the Data Requests filed by PSC Staff. Mr. Ostrander and Mr. Baudino sponsor the testimony in the response.

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Respectfully submitted,

DANIEL J. CAMERON  
ATTORNEY GENERAL



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J. MICHAEL WEST  
LAWRENCE W. COOK  
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*Certificate of Service and Filing*

Pursuant to the Commission's Order dated March 17, 2020 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that, on October 27, 2021, an electronic copy of the forgoing was served by e-mail to the following.

Monica H. Braun  
Mary Ellen Wimberly  
Katelyn L. Brown  
monica.braun@skofirm.com  
Maryellen.wimberly@skofirm.com  
Katelyn.brown@skofirm.com

this 27<sup>th</sup> day of October, 2021.

A handwritten signature in blue ink, appearing to read "J. Michael West".

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Assistant Attorney General

**ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN  
ADJUSTMENT OF ITS RATES AND A CERTIFICATE OF PUBLIC CONVENIENCE AND  
NECESSITY**

**REQUESTS**

1. Please provide copies of all testimony prepared by Mr. Baudino for the last 5 years on the cost of capital.

RESPONSE:

Objection, the question seeks information which is in the public domain. Counsel for Delta Gas is just as capable of performing the research required to obtain copies of filed testimony as is the Attorney General. Refer to Mr. Baudino's Exhibit RAB-1 for a listing of cases in which he has filed testimony as well as the jurisdictions in which those testimonies were filed.

If following good-faith diligent research efforts, counsel for Delta Gas is unable to obtain copies of the *particular* testimony filed by Mr. Baudino, then counsel should contact counsel for the Attorney General to determine whether Mr. Baudino might be in possession of copies of such documents. Nonetheless, Mr. Baudino will not be able to provide copies of any such documents provided under confidentiality, or which contain trade secrets, or which are protected by copyright, trademark or other intellectual property rights.

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2. Please provide copies of all testimony prepared by Mr. Ostrander in the last 5 years.

RESPONSE:

Objection, the question seeks information which is in the public domain. Counsel for Delta Gas is just as capable of performing the research required to obtain copies of filed testimony as is the Attorney General.

Without waiver of objection, the AG is providing Ostrander Attachment 1 – Delta Data Request 1-2, which is a listing of Mr. Ostrander’s testimony filings for the most recent five year period, along with a related citation or electronic hyperlink to the regulatory agency’s website where a public version of Mr. Ostrander’s testimony can be obtained.

Mr. Ostrander does not retain copies of confidential version of testimonies and is otherwise prohibited from distributing this information to parties not subject to the related confidentiality agreements for the specific case/docket.

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3. Please provide a summary of Mr. Baudino's recommendations for each case where he has provided testimony on the cost of capital over the past five years. In this summary please include:
- (a) Date filed
  - (b) Docket
  - (c) Company
  - (d) Mr. Baudino's recommended ROE
  - (e) Mr. Baudino's recommended capital structure
  - (f) Authorized ROE
  - (g) Authorized capital structure

**RESPONSE:**

Objection. The question seeks information which is in the public domain. Counsel for Delta Gas is just as capable of performing the research required to obtain copies of filed testimony as is the Attorney General. Refer to Mr. Baudino's Exhibit RAB-1 for a listing of cases in which he has filed testimony as well as the jurisdictions in which those testimonies were filed.

In addition, Mr. Baudino does not have a summary in the form requested in this question.

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4. Referencing Exhibit RAB-2 through Exhibit RAB-5, please provide an electronic copy of all of Mr. Baudino's exhibits in their native format (i.e., Microsoft Excel, Lotus 1-2-3, etc.) with all formulas intact.

**RESPONSE:**

Please refer to the attached spreadsheet entitled "Delta Gas 2021 ROE.xlsx".

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5. Referencing page 18, lines 16-21 of Mr. Baudino's testimony and Exhibit RAB-2, please provide a copy of the source documents for the dividends per share and prices per share for the companies in the gas distribution group.

**RESPONSE:**

Please refer to the attached file entitled "Proxy Group Stock Prices.pdf".



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6. Referencing page 19, lines 14-16 of Mr. Baudino's testimony and Exhibit RAB-3, please provide the source documents from Zacks and Yahoo! Finance that were employed in this schedule.

**RESPONSE:**

Please refer to the attached files entitled "Yahoo! Finance Earnings Growth.pdf" and "Zacks Earnings Growth.pdf".

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7. Referencing page 19, lines 14-16 Mr. Baudino's testimony, is Mr. Baudino aware of any additional sources of analysts' forecasts of growth? If so, name them and explain why they were not used.

**RESPONSE:**

Mr. Baudino is aware of analysts' forecasts also being available from Bloomberg. Mr. Baudino does not subscribe to Bloomberg's services and, thus, does not use Bloomberg.

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8. Referencing page 22, lines 10-13 of Mr. Baudino's testimony, please provide quantification for the percentage of total investment risk that is represented by systematic risk measured by beta.

RESPONSE:

Mr. Baudino has not performed the requested quantification.

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9. Referencing page 24, footnote 9 of Mr. Baudino's testimony, please provide a copy of *A Random Walk Down Wall Street* by Burton Malkiel, p. 218, 2019 edition.

RESPONSE:

Please refer to the attached document entitled "Attachment A to AG Response to Delta Gas Question 9.pdf".

**ELECTRONIC APPLICATION OF DELTA NATURAL GAS COMPANY, INC. FOR AN  
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10. Referencing page 24, footnote 10 of Mr. Baudino's testimony, please provide a copy of *Cost of Capital*, Shannon Pratt and Roger Grabowski, 5th Edition, page 288, published by Wiley.

**RESPONSE:**

Please refer to the attached document entitled "Attachment A to AG Response to Delta Gas Question 10.pdf". Note that the correct page reference is page 269.

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11. Referencing page 26, lines 1-3 of Mr. Baudino's testimony and page 2 of Exhibit RAB-4, please provide an electronic copy of the workpapers that supports the Value Line median annual total return of 9.00% and the average annual total return of 9.84%. The electronic workpapers should have all formulas intact.

RESPONSE:

Please refer to the attached spreadsheet entitled "Value Line Summary August 27 2021.xlsx"

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12. Referencing page 6, lines 5-12 of Mr. Baudino's testimony and Exhibit RAB-5, please provide the Duff and Phelps compiled study of historical returns on the stock market in its Cost of Capital Navigator: U.S. Cost of Capital Module.

RESPONSE:

The requested material is copyright protected. It may be obtained through a subscription to the Duff and Phelps *Cost of Capital Navigator*.

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13. Referencing page 43, lines 5-6 of Mr. Baudino's testimony, please provide the source document or other empirical evidence that flotation costs are already accounted for in current stock prices.

**RESPONSE:**

Mr. Baudino's testimony was that it is likely that flotation costs are already accounted for in current stock prices and this is supported by his explanation of page 43, lines 3 - 14 of his Direct Testimony.



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14. Referencing page 52, lines 7-9 and footnote 24 of Mr. Baudino's testimony, please provide a copy of *Summary Statistics of Annual Total Returns, Income Returns, and Capital Appreciation Returns of Basic U.S. Asset Classes, 1926 - 2020, Cost of Capital Navigator: U.S. Cost of Capital Module*.

RESPONSE:

The requested material is copyright protected. It may be obtained through a subscription to the Duff and Phelps *Cost of Capital Navigator*.

**AFFIDAVIT**

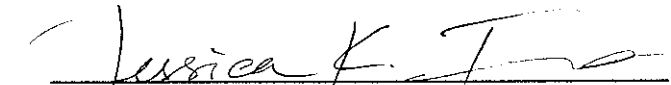
STATE OF GEORGIA            )

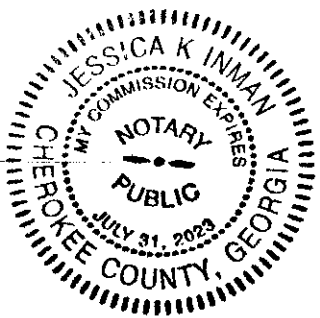
COUNTY OF FULTON         )

RICHARD A. BAUDINO, being duly sworn, deposes and states: that the attached is his sworn testimony and that the statements contained are true and correct to the best of his knowledge, information and belief.

  
Richard A. Baudino

Sworn to and subscribed before me on this  
20th day of October 2021.

  
Notary Public



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AND A CERTIFICATE OF PUBLIC )  
CONVENIENCE AND NECESSITY )

Case No. 2021-00185

AFFIDAVIT OF BION OSTRANDER

State of Kansas )  
)  
)

Bion Ostrander, being first duly sworn, states the following:

The prepared Data Request Responses, Schedules and Exhibits attached thereto constitute the testimony of Affiant in the above-styled case. Affiant states that he would give the answers set forth in the Testimony if asked the questions propounded therein. Affiant further states that, to the best of his knowledge, information and belief his statements made are true and correct. Further affiant saith naught.

Bion Ostrander  
Bion Ostrander

SUBSCRIBED AND SWORN to before me this 26<sup>th</sup> day of October, 2021

Cynthia L Moore  
NOTARY PUBLIC

My Commission Expires: 4-3-2024

