

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)
Natural Gas Rates; 2) Approval of New) Case No. 2021-00190
Tariffs; and 3) All Other Required Approvals,)
Waivers, 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 Interrogatories and Requests for Production of Documents 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 Messrs. Kollen and Baudino 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. Please identify all proceedings in all jurisdictions in the last three years in which Messrs. Kollen and Baudino, along with each person identified in response to Interrogatory No. 2 above, 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.

4. 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.

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 Messrs. Kollen and Baudino as part of their evaluation of the Company's Application or used in the creation of Messrs. Kollen and Baudino's testimony.

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

7. Please provide copies of any and all presentations or publications made, written or presented by Messrs. Kollen and Baudino 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; and 5) taxes.

8. Please refer to Messrs. Kollen and Baudino's testimony where they indicate they are 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 Messrs. Kollen and Baudino 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 Messrs. Kollen and Baudino are not natural gas customers of Duke Energy Kentucky.

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

Questions for Witness Kollen

12. Does Mr. Kollen agree the narrative on page 32 of his direct testimony implies Duke Energy Kentucky ("the company") intentionally misled the KYPSC to improve earnings?

13. Does Mr. Kollen believe that Duke Energy Kentucky can access the private placement market efficiently on a monthly or quarterly basis?

(a) If the response is in the affirmative, please explain the basis of Mr. Kollen's belief.

(b) Provide any documentation or supporting analysis that Mr. Kollen relies upon in forming this belief.

14. Does Mr. Kollen agree that for the Company or any other regulated utility, that debt financing is obtained in large denominations and equity is earned in smaller denominations? Is he aware this reality can cause material changes to the capital structure?

15. Is Mr. Kollen aware the Company provided the actual components of the capital structure for each month in 2019, 2020 and 2021 in AG-DR-01-047? If so, did Mr. Kollen compare the forecasted components of the capital structure from Case Number 2018-00261 to the actual components during the forecasted test period?

(a) Please confirm that for the test period in Case Number 2018-00261, both components of the capital structure (equity, and debt) resulted in actuals that were higher than the forecast provided during that case.

(b) Please confirm that higher levels of debt increase overall costs through higher interest expense.

- (c) If answered in the affirmative, can Mr. Kollen explain how this increase in total capitalization that was not reflected in customer rates saved the Company money?
- (d) Does Mr. Kollen agree that as a result, the Company's total capital increased without customers having to pay for those increases? If the response is in the negative, please explain.

16. Please refer to the Company's response to AG-DR-02-022 where it explained the reasons for the lower common equity ratio was due to elevated capital investments in 2019 and 2020 that had to be financed with debt issuances.

- (a) Does Mr. Kollen disagree that actual capital investments that are significantly higher than those forecasted in a rate case test year would impact the Company's financial condition?
- (b) Does Mr. Kollen believe that the Company acted imprudently in increasing the amount of debt capital by \$280 million during this two-year period? Please explain.
- (c) If the answer is in the affirmative, please explain and provide any supporting analysis or data Mr. Kollen relies upon for his position that the Company should have taken a different action to fund these investments.

17. Does Mr. Kollen agree that the Company previously froze its legacy pension programs for employees and that the 401k is the only plan that is available for new employees going forward?

18. Does Mr. Kollen agree that the Commission previously authorized the

Company to recover costs of its 401k Match and eliminate the pension expense from rates?

19. Does Mr. Kollen understand that Supplemental Executive Retirement Plan (SERP) expenses are nonqualified pension expense?

20. Explain why (if Mr. Kollen is proposing to remove the 401k costs from the test period but leave the qualified pension expense (credit) in the test period) the SERP nonqualified pension expense should be removed as well?

21. Explain why Mr. Kollen is proposing to remove both 401k benefit costs and SERP nonqualified pension benefit costs.

22. Does Mr. Kollen agree that if the SERP expenses for nonqualified pension expenses are removed, the credit for qualified pension programs should also be removed?

23. Is the Attorney General's position that utility membership in the American Gas Association (AGA) or Interstate Natural Gas Association of America (INGAA) provides no benefits to natural gas customers? If the response is in the negative, please identify the benefits that the Attorney General believes customers are provided.

24. Is it Mr. Kollen's position that utility membership in the AGA or INGAA provides no benefits to customers? If the response is in the negative, please identify the benefits that the Mr. Kollen believes customers are provided.

Questions for Witness Baudino

25. (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).

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

27. 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.

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

29. Please provide in Excel readable format the DCF results for each company in his peer group using the various growth proxies.

30. Is Mr. Baudino aware that an efficiently priced yield curve provides not only a spot rate but also reflects investors current expectations of future rates, which are based on current information available to the market on that specific day?

31. Is Mr. Baudino aware that during periods of economic expansion benchmark US Treasury curves will slope up to the right, indicating investors expect a gradual rise in future rates? Is Mr. Baudino aware verbiage found on page 14 of his direct testimony, "consensus is continued economic recovery" would support gradually increasing interest rates?

Respectfully submitted,

/s/Rocco D'Ascenzo

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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 September 20th, 2021; and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

John G. Horne, II
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/s/Rocco D'Ascenzo

Rocco D'Ascenzo