COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF DUKE ENERGY KENTUCKY, INC. FOR: 1) AN ADJUSTMENT OF THE NATURAL GAS RATES; 2) APPROVAL OF NEW TARIFFS, AND 3) ALL OTHER REQUIRED APPROVALS, WAIVERS, AND RELIEF	)	CASE NO. 2021-00190

ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUESTS

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention ["OAG"], hereby submits the following Supplemental Data Requests to Duke Energy Kentucky, Inc. ["DEK" or "the Company"], to be answered by the date specified in the Commission's Orders of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Identify the witness who will be prepared to answer questions concerning each request.

(3) Repeat the question to which each response is intended to refer. The OAG can provide counsel for DEK with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the Companies receive or generate additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity

that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, request clarification directly from counsel for OAG.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the Companies have objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify OAG as soon as possible.

(10) As used herein, the words ''document'' or ''documents'' are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings;

maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the Company, state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and

method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

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Certificate of Service

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 4th day of August, 2021

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Assistant Attorney General

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1. Did the Company receive funds under the Paycheck Protection Program? If it did:

    a. Provide the total amount received under the program.
    b. Discuss whether that amount must be repaid.
    c. Discuss how those funds were applied.
    d. Discuss whether those funds offset increases to the revenue required by the Company.

2. Identify all association dues included in the revenue requirement. For each organization whose dues were included for recovery from ratepayers:[1]

    a. Provide the name of the association to which those are paid;
    b. Provide the amount;
    c. Provide a description of the services the association provides to the Company;
    d. Discuss whether the association engages, directly or indirectly, in: (i) lobbying; (ii) political activities; (iii) regulatory advocacy; and/or (iv) public relations;
    e. Provide copies of the studies or other information DEK relied upon in making its decision on whether to include a test-year amount of dues for each such organization;
    f. Provide copies of all actual regulatory advocacy in which each such organization engaged before the Commission; and
    g. Discuss whether any portion of the dues paid to that association have been removed from the revenue requirement.

3. Reference the response to AG DR 1-1 (d). Explain whether the statement, "The Company made reasonable payment arrangements, typically <u>3-6</u> months in length, available to customers upon request," [emphasis added] refers to payment plans offered to customers after Nov. 6, 2020. If not, explain how DEK's offering of payment plans complied with the referenced Governor's Order, and with the Commission's Order dated Sept. 21, 2020 in Case No. 2020-00085, that payment plans had to be six months.

4. Refer to the Company's responses to AG 1-6.

    a. Provide the PHMSA inspection expense incurred in each year 2018 through 2020, budgeted for 2021, the base year, and the test year by FERC O&M expense account/subaccount separated into one-time (baseline) inspection

[1] Including, but not limited to the American Gas Association.

expenses and ongoing inspection expenses and in total for each category for each year. Provide a ten-year forecast of one-time (baseline) and ongoing inspection expenses by year from 2022 through 2031 by FERC O&M expense account/subaccount and in total for each category by year.

b. Confirm that the Company agrees certain of the PHMSA inspection expenses were and are being incurred to establish a baseline for inspection, correction, and reporting purposes. Identify and describe each category of these expenses.
c. Confirm that the Company agrees that certain of the PHMSA inspection expenses are ongoing, but periodic. Identify and describe each category of these expenses. To the extent possible, describe the frequency required for each major type of PHMSA inspections.
d. Provide the integrity management expenses, including the PHMSA inspection expenses, incurred in each year 2018 through 2020, budgeted for 2021, the base year, and the test year by FERC O&M expense account/subaccount separated into one-time (baseline) integrity management expenses and ongoing integrity management expenses and in total for each category for each year. Provide a ten-year forecast of one-time (baseline) and ongoing integrity management expenses by year from 2022 through 2031 by FERC O&M expense account/subaccount and in total for each category by year.
e. Confirm that the Company agrees certain of the integrity management expenses were and are being incurred to establish a baseline for inspection, correction, and reporting purposes. Identify and describe each category of these expenses.
f. Confirm that the Company agrees that certain of the integrity management expenses are ongoing, but periodic. Identify and describe each category of these expenses. To the extent possible, describe the frequency required for each major type of PHMSA inspections.

5. Refer to the Company's response to Staff 2-33, which provides a history of the O&M expense incurred by the Company for its new CIS each year from 2018 through 2022.

   a. Regarding the new CIS, provide the O&M expense that the Company considers developmental, including the implementation of each of the different modules/capabilities and in total, and the expense that the Company considers recurring post-development and post-implementation for each of different modules/capabilities, and in total, for each year 2018 through 2022 and forecast for 2023, by FERC O&M expense account/subaccount. In addition, describe the manner in which the Company made this determination, including a description of all accounting and tracking used to distinguish the expenses in this manner.

b. Regarding the old CIS, provide the O&M expense incurred by the Company each year from 2018 through 2022 and forecast for 2023 by FERC O&M expense account/subaccount.

6. Provide a timeline showing the development and implementation (go live) dates for each of the different modules/capabilities of the new CIS from the beginning of the design process through the end of the test year, and through the completion of the development and implementation periods for all modules/capabilities.

7. Provide a timeline showing the phase-out and retirement dates for each of the different modules/capabilities of the old CIS, compared to the timeline provided for the development and implementation of the new CIS provided in response to the immediately preceding question.

8. Refer to the Company's response to AG 1-14. Provide all supporting calculations for the $53,994 in an Excel spreadsheet in live format and with all formulas intact.

9. Refer to the Company's response to AG 1-19(a).

    a. Provide a complete description of each work order.
    b. Provide a schedule in the same format as the attachment showing total Duke Energy.

10. Refer to the Company's response to AG 1-19(d), which shows the capital expenditures and O&M expense for the new CIS each year from 2016 through 2023 on a total Duke Energy basis.

    a. Provide a similar table that provides the DEK share of the total Duke Energy amounts.
    b. Provide a similar table showing the actual capital expenditures and O&M expenses each year through 2020, each month through 2021, and the budget/forecast amounts for each remaining month in 2021, each month during the test year and in 2023 on a total Duke Energy basis.
    c. Provide a similar table that provides the DEK share of the total Duke Energy amounts provided in response to part (b) of this question.
    d. Provide an estimate/forecast of the "steady state" ongoing O&M expense for the new CIS for each of the different modules/capabilities, and in total after each module/capability goes live on an annualized basis. Provide all supporting documentation and calculations in live format with all formulas intact in support of these estimates/forecasts.
    e. Provide the depreciation expense, including all details of the calculations, included in the test year for each of the new CIS modules/capabilities included in the test year. Provide the calculations in Excel live format with all

formulas intact. Provide the calculations of the depreciation rates in Excel live format with all formulas intact. Provide the life spans used for this purpose and describe each deviation from the life spans set forth in the response to AG 1-19(d).

f. Explain why the Company is using and proposes specific life spans for the new CIS compared to simply using the depreciation rates developed using the December 2017 plant balances in the last depreciation study.
g. Provide the actual life spans of the old CIS that serve/served DEK, including the date(s) of major upgrades or replacements of some or all of the modules/capabilities. Describe the actual upgrades and replacements of any of the modules/capabilities.

11. Provide the average service life for the 2017 vintage year plant for each plant account and subaccount included in the 2017 depreciation study provided as Exhibit JJS-1 attached to Mr. Spanos' testimony in this proceeding.

12. Provide the average service life for the 2016 vintage year plant for each plant account and subaccount included in the 2017 depreciation study provided as Exhibit JJS-1 attached to Mr. Spanos' testimony in this proceeding.

13. Provide the average service life for the 2015 vintage year plant for each plant account and subaccount included in the 2017 depreciation study provided as Exhibit JJS-1 attached to Mr. Spanos' testimony in this proceeding.

14. Refer to the Company's response to AG 1-18.

    a. Provide the Company's capital expenditures by month from January 2018 through December 2022.
    b. Provide the Company's non-gas O&M expense and other non-gas non-depreciation expense by month from January 2018 through December 2022.
    c. Refer also to the Company's response to AG 1-13, which provides a trial balance. Included in the trial balance is account 232996, which appears to be an account used by the Company for its construction (capital) accounts payable accruals.
        i. Confirm that the Company records its accounts payable for construction with a debit to CWIP or some other asset account and a credit to accounts payable.
        ii. Confirm that the Company records its accounts payable for construction to account 232996. If this is not correct, then provide the correct account.
        iii. Provide the monthly accounts payable to construction for the Company's natural gas assets and share of common assets by month from January 2018 through the most recent month available.

d. Confirm that the Company records its accounts payable for operating expenses with a debit to the expense account and a credit to accounts payable.
e. Is it the Company's position that it cannot query its general ledger system at month end as to the outstanding accounts payable offset by CWIP and the accounts payable offset by operating expenses? If it is, then explain why it cannot obtain this information. If this is not the Company's position, then provide the information requested in AG 1-18.

15. Provide the pension expense reflected in the test year separately for DEK, allocated from DEO, and allocated from DEBS. Provide the actuarial report relied on for these amounts and annotate the amount included in the revenue requirement to the actuarial report, including the allocations of DEO and DEBS amounts to DEK, jurisdictional allocations, and allocations of total cost to the expense reflected in the test year.

16. Provide the OPEB expense reflected in the test year separately for DEK, allocated from DEO, and allocated from DEBS. Provide the actuarial report relied on for these amounts and annotate the amount included in the revenue requirement to the actuarial report, including the allocations of DEO and DEBS amounts to DEK, jurisdictional allocations, and allocations of total cost to the expense reflected in the test year.

17. Refer to the Company's response to AG 1-41. Confirm that the Company did not remove the employer 401(k) match for employees who also participate in the defined benefit plan. If this is not correct, then provide a correct statement and indicate where this expense was removed.

18. Refer to the Company's response to AG 1-60. Confirm that the Company did not remove the SERP expense in conjunction with its adjustments to remove incentive compensation tied to financial metrics. If this is not correct, then provide a correct statement and indicate where this expense was removed.

19. Refer to the Company's response to AG 1-66.

    a. Provide the requested copy of all documentation that addresses the capitalization or expensing of costs to install or remove assets, including retirements and cost of removal charged to the accumulated depreciation reserve or expensed as maintenance.
    b. Provide a detailed description of the Company's accounting when it retires assets and replaces them with new assets, including the methodology it uses to allocate or otherwise determine the payroll and related costs allocated to the additions versus the retirements for cost of removal.

c. Provide a detailed description of the Company's guidelines and practices for the physical removal of assets by type of plant (pipeline, regulator, service, etc.) or whether they are left in place. For example, most utilities do not remove old pipeline when it is retired, at least longer sections, instead cutting and bypassing the old pipeline when a section is replaced.
d. Provide a copy of the most recent Time and Motion study or other study used by DEK in the determination of net salvage percentages or amounts to be written off when an existing asset is replaced with a new asset.

20. Refer to the Sch_C2.1 - Base Period and Sch_C2.1 - Forecasted Period tabs in STAFF-DR-01-054_Attachment_-_KPSC_GAS_SFRs-2021. Explain why the Company's forecast test year Account 489020 Commercial Gas Transportation in the test year is $1.379 million compared to $1.498 million in the base year. Describe all reasons why the Company forecasts a reduction in these revenues in the test year, especially when the Company forecasts significant increases in the test year Account 489030 Industrial Gas Transportation and Account 489040 OPA Gas Transportation compared to the base year. What is unique about Commercial Gas Transportation compared to the other transportation revenue accounts?

21. Refer to the Sch_J3 – Forecast tab in STAFF-DR-01-054_Attachment_-_KPSC_GAS_SFRs-2021. Provide a version of this spreadsheet with all formulas intact, specifically, with all column M calculations instead of the values in the version provided in response to Staff 1-54.

22. Refer to the Sch_J1 – Base and Sch_J1 - Forecast tabs in STAFF-DR-01-054_Attachment_-_KPSC_GAS_SFRs-2021, and refer also to the response to Staff 1-20.
    a. Provide a copy of all correspondence, analyses, and/or studies that address the Company's decision to maintain lower common equity ratios in 2019 (46.5%), 2020 (47.1%), and the base period (46.81%) compared to the test year (50.70%).
    b. Explain why it was acceptable to the Company and the rating agencies to maintain these lower common equity ratios in 2019, 2020, and the base period.
    c. Provide a copy of all correspondence, analyses, and/or studies that address the decision/need to increase the common equity ratio from the 2019, 2020, and base period levels to the test year.
    d. Provide a copy of all correspondence, analyses, and/or studies that address the decision to increase the common equity ratio to 50.70% in the test year as opposed to a lower level or a higher level.
    e. Provide all documentation for the assumed common equity ratio of 50.70% in the test year.

23. Refer to the Company's response to AG 1-48.

    a. Identify the source of the assumption to maintain a "consistent level of total debt" from the base year to the test year. Also, provide a copy of all documentation of this assumption, including the specific decisionmakers who approved the assumption (entity, positions, and names).
    b. Identify and describe all reasons why the Company would or should maintain a "consistent level of total debt" over this time period. Provide a copy of all documentation relied on for your response.

24. Refer to the Company's response to AG 1-49.

    a. Provide the Company's target credit ratings and the specific target credit metrics to achieve those target credit ratings in each year 2019, 2020, 2021, the base year, and the test year. Provide all documentation that the target credit metrics provided in this response were its actual targets in the historic years and are its target credit metrics for the base year and the test year.
    b. Provide the Company's "approved capital structure" as referenced in the response to each year 2019, 2020, 2021, the base year, and the test year. Provide a copy of all documentation that demonstrates the capital structures provided in this response actually were "approved" and indicates by whom (entity, positions, and names) they were "approved."

25. Refer to the Company's response to AG 1-68.

    a. Provide the calculation of the DEBS total Company "rate base by components and in total and the DEK allocation of each "rate base component" times the DEK grossed-up rate of return in an Excel spreadsheet in live format with all formulas intact.
    b. Provide the DEBS total Company interest expense incurred in 2018, 2019, 2020, the base year, and the test year.
    c. Provide the DEBS trial balances for 2019 at December 31, 2019 and for 2020 at December 31, 2020.

26. Provide the Company's average daily short-term investment balances and the average interest rates on those balances in the Money Pool each month from January 2018 through December 2022 in an Excel spreadsheet in live format and with all formulas intact.

27. Provide separately the Company's regulatory assets and liabilities related to pension and OPEB by month from January 2018 through the end of the test year by FERC account/subaccount in total and allocated to gas and the gas share of common. Provide a detailed description of each regulatory asset and liability and how it is

calculated. Indicate whether the Company financed or avoided financing as a result of the regulatory asset or liability and, if so, provide all support for your position. In addition, provide all reasons why the Company did not include the net liability as a subtraction from rate base and removed all related ADIT balances from rate base.

28. Refer to the response to AG 1-15 (k) Attachment related to the $13.792 million investment in account 27800 for the "STA 872 – Oakland Valve House" project.

    a. Provide the capital investment amount added to rate base in this case related to the STA 872 – Oakland Valve House. Provide plant additions by FERC and Company plant account number and in total and by month.
    b. Provide a calculation of the revenue requirement included in the test year for the STA 872 – Oakland Valve House, providing all components of the return on and of investment costs. Provide in electronic format with all formulas intact.
    c. Provide the depreciation rate(s) applied in the test year for the STA 872 – Oakland Valve House and provide the source of those rates.
    d. Provide the probable retirement date for this project and all supporting documentation.
    e. Provide a detailed explanation of the STA 872 – Oakland Valve House, including what it is, where it is, who it serves, and how it is recorded in the Company's fixed asset accounting records, including whether it is recorded as a separate asset in one or more subaccounts.

29. Refer to STAFF-DR-02-024(a) Attachment 3, page 94 of 145, and the following excerpt from the Order in Florida Public Service Commission Docket No. 20200139-WS:

    The only cost of equity model analysis that supports a 10.75 percent ROE is UIF witness D'Ascendis' Predictive Risk Premium Model (PRPM) with an average result of 11.66 percent. However, the record showed that the PRPM is based on the GARCH model, which used Eviews statistical software to derive a predictive equity risk premium, which is added to a projected risk-free rate. This method is akin to a black box calculation where the inputs were entered and a result was produced using statistical software. Witness D'Ascendis and his colleagues developed the PRPM method and admitted that it is used primarily by himself and other colleagues familiar with the methodology. The record failed to support that witness D'Ascendis' PRPM methodology is widely accepted by other jurisdictions as a method to estimate the equity risk premium. Therefore, we find that the cost of equity models using the PRPM shall be discounted in this case.

    Provide responses to the following:

a. Does Mr. D'Ascendis still admit that the PRPM method "is used primarily by himself and other colleagues familiar with the methodology." If not, explain why not.

b. Aside from Mr. D'Ascendis, provide names of the other colleagues who have presented the PRPM in proceedings to estimate the risk premium rate of return for regulated utilities. Include in the response the case number, regulatory jurisdiction, and year.

c. Provide any other proceedings (other than Duke Kentucky affiliate state commissions) of which Mr. D'Ascendis is aware in which regulatory commissions have accepted or rejected the PRPM. Include in the response the case number, year and a copy of the Commission's Order.

d. Provide evidence that the PRPM method is widely used and accepted by investors to estimate their required return on equity for regulated utilities.