

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**ATTORNEY GENERAL’S RESPONSES TO DATA REQUESTS OF
DUKE ENERGY KENTUCKY, INC.**

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“AG”), submits the following responses to data requests of Duke Energy Kentucky, Inc. (“DEK” or “the Company”) in the above-styled matter.

Respectfully submitted,

DANIEL CAMERON
ATTORNEY GENERAL



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Certificate of Service and Filing

Pursuant to the Commission's Orders 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. Counsel further certifies that the responses set forth herein are true and accurate to the best of their knowledge, information, and belief formed after a reasonable inquiry.

This 1st day of October, 2021



Assistant Attorney General

Electronic Application Of Duke Energy Kentucky, Inc. For:
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WITNESS RESPONSIBLE:

NONE IDENTIFIED IN REQUEST / Counsel as to OBJECTION

QUESTION No. 1

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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.

RESPONSE:

Objection. Counsel for DEK has failed to identify a witness to respond to this question. Under Kentucky's Rules of Ethics, attorneys are not allowed to testify. Without waiving this objection: none.

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WITNESS RESPONSIBLE:

NONE IDENTIFIED IN REQUEST / Counsel as to OBJECTION

QUESTION No. 2

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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.

RESPONSE:

Same objection as to Question no. 1. Without waiving this objection: not applicable.

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WITNESSES RESPONSIBLE:

KOLLEN and BAUDINO / Counsel as to OBJECTIONS

QUESTION No. 3

Page 1 of 2

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.

RESPONSE:

Mr. KOLLEN: As to (a) - (d): See the Direct Testimony and Exhibits of Lane Kollen filed in this case, Exhibit_(LK-1). As to (e) – (g): Objection, the question seeks information which is in the public domain, some of which is already in the possession of Duke Energy Kentucky as noted in response to (a)-(d), above. Counsel for DEK is just as capable of performing the research required to obtain copies of filed testimony as is the Attorney General.

Mr. BAUDINO: As to (a) - (d): See the Direct Testimony and Exhibits of Richard Baudino filed in this case, Exhibit RAB-1. As to (e) – (g): Objection, the question seeks information which is in the public domain, some of which is already in the possession of Duke Energy Kentucky as noted in response to (a)-(d), above. Counsel for DEK is just as capable of performing the research required to obtain copies of filed testimony as is the Attorney General. In addition, Mr. Baudino does not have a listing of the cases in which he was cross examined and does not possess transcripts of hearings held in those cases.

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If following good-faith diligent research efforts, counsel for DEK is unable to obtain copies of the *particular* testimony, sworn statements, etc. filed by Mr. Kollen or Mr. Baudino, then counsel should contact counsel for the Attorney General to determine whether Messrs. Kollen or Baudino might be in possession of copies of such documents. Nonetheless, Messrs. Kollen and 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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WITNESS RESPONSIBLE:

NONE IDENTIFIED IN REQUEST / Counsel as to OBJECTIONS

QUESTION No. 4

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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.

RESPONSE:

Objection. Counsel for DEK has failed to identify a witness to respond to this question. Under Kentucky's Rules of Ethics, attorneys are not allowed to testify. Additional objection: the question seeks materials covered by the work product and/or attorney-client privilege(s). Without waiving this objection, counsel for the AG will contact counsel for DEK to arrange for either an exchange of exhibits, or identification of items already in the record, prior to the evidentiary hearing in this matter. Additionally, counsel for the AG will either provide copies of these materials, or identify them for Staff Counsel prior to the hearing, and asks counsel for DEK to do likewise.

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WITNESS RESPONSIBLE:

LANE KOLLEN and RICHARD A. BAUDINO / Counsel as to OBJECTION

QUESTION No. 5

Page 1 of 1

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.

RESPONSE:

Objection. The question seeks materials covered by the work product and/or attorney-client privilege(s). Without waiving this objection, see the response to question no. 6, *infra*.

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WITNESS RESPONSIBLE:

LANE KOLLEN and RICHARD A. BAUDINO / Counsel as to OBJECTION

QUESTION No. 6

Page 1 of 2

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.

RESPONSE:

Objection, the question seeks items protected by the work product privilege. Without waiving this objection, the materials known to this point in this case have already been provided in the KOLLEN and BAUDINO testimonies, exhibits and workpapers. Messrs. KOLLEN and BAUDINO reserve their rights to introduce any additional exhibits not already so identified, and in accordance with the response to question no. 4, above.

Please refer to the attached spreadsheets, work papers, and supporting documents used by Mr. Baudino in the preparation of his Direct Testimony and Exhibits. With respect to supporting documents, many of these items are copyright-protected, and as such cannot be provided into the record or otherwise reproduced. Further:

1. Supporting documents and documentation in footnotes 1 through 6 may be accessed using the links provided in the testimony.
2. Quotations cited in footnotes 8, 9, and 20 may be checked and obtained from the books by Dr. Malkiel and Pratt and Grabowski.
3. The Duff and Phelps material cited in footnotes 10 and 19 may be obtained through subscription to the Cost of Capital Navigator.
4. The Commission Order referred to in footnotes 13 and 14 may be obtained through the KPSC's web site.
5. For footnotes 15 and 16, the cited material may be found in Dr. Morin's book *New Regulatory Finance*.
6. For footnote 21, the quotes may be reviewed in *Principles of Corporate Finance*.
7. Value Line reports were not included due to copyright protection.

A listing of Mr. Baudino's attached spreadsheets, work papers, and supporting documents are as follows:

1. Duke KY 2021 ROE.xlsx
2. GDP Data from BEA and CAGR.xlsx
3. Staff-DR-02-016_Attachment RB Calcs.xlsm

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QUESTION No. 6

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4. Value Line Summary July 22 2021.xlsx
5. Moody's ratings reports
6. Stock Prices
7. Yahoo! Finance growth rates
8. Zacks growth rates
9. VIX_History.xlsx
10. Mergent Bond Yield Averages
11. An Update to the Budget and Economic Outlook: 2021 to 2031, July 2021,
Congressional Budget Office
12. FRB_H15 July 2021 Update.xlsx

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WITNESS RESPONSIBLE:

LANE KOLLEN and RICHARD A. BAUDINO / Counsel as to OBJECTIONS

QUESTION No. 7

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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.

RESPONSE:

Objection. The question is vague, overbroad, requests items irrelevant to the instant proceeding, and seeks information not likely to lead to the discovery of admissible evidence. Additional objection: the question is designed to harass and annoy the Attorney General and his retained experts. Without waiving this objection, Mr. Kollen states: none; and Mr. Baudino states: none.

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NONE IDENTIFIED IN REQUEST / Counsel as to OBJECTIONS

QUESTION No. 8
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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.

RESPONSE:

Objection. The question is not directed to a witness, but to the Attorney General. Counsel for DEK is well-aware that Kentucky's Rules of Ethics preclude attorneys from testifying. Additional Objection: the question seeks information covered by the work product and/or attorney-client privileges. The question is not made in good faith and is therefore *not* made in the interests of judicial economy, and is overbroad. Additional objection: the question is argumentative, and is designed to harass and annoy the Attorney General and his retained experts. Without waiving any of these objections, the Attorney General's post-hearing brief, which will be based on the entire record of this case including the evidentiary hearing, will establish his positions.

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WITNESS RESPONSIBLE:

NONE IDENTIFIED IN REQUEST / Counsel as to OBJECTIONS

QUESTION No. 9

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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.

RESPONSE:

Objection. The question fails to identify a witness. Counsel for DEK is well-aware that Kentucky's Rules of Ethics preclude attorneys from testifying. Additional Objection: The question seeks information covered by the work product and/or attorney-client privileges, is not made in good faith, is argumentative, is designed to harass and annoy the Attorney General and his retained experts, and is vague and overbroad. Without waiving any of these objections, the Attorney General's post-hearing brief, which will be based on the entire record of this case including the evidentiary hearing, will establish all of his positions.

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WITNESS RESPONSIBLE:
LANE KOLLEN and RICHARD A. BAUDINO

QUESTION No. 10
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Please confirm that Messrs. Kollen and Baudino are not natural gas customers of Duke Energy Kentucky.

RESPONSE:

Confirmed.

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WITNESS RESPONSIBLE:
LANE KOLLEN and RICHARD A. BAUDINO

QUESTION No. 11
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Please confirm that J. Kennedy And Associates is not a natural gas customer of Duke Energy Kentucky.

RESPONSE:

Confirmed.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 12
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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?

RESPONSE:

No. However, DEK did not actually execute the forecast capital structure for the test year. All else equal, the lower equity ratio improved earnings. Mr. Kollen agrees that the Company's behavior was intentional, but does not assert that it intentionally misled the Commission.

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WITNESS RESPONSIBLE:
LANE KOLLEN / Counsel as to Objection

QUESTION No. 13
Page 1 of 1

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.

RESPONSE:

Objection. Lacks foundation, as there is no reference to Mr. Kollen's testimony, and thus, no context for the question posed. Notwithstanding the objection, and without waiving it, it would not be economically efficient for the Company to access the private placement market on a recurring monthly or quarterly basis for long-term borrowings. However, Duke Energy Corporation and DEK can access the commercial paper and other short-term markets efficiently on a recurring daily basis.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 14
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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?

RESPONSE:

Additional equity investment is achieved through infusions from DEK's parent company and retained earnings and is reduced through dividends. The timing and amounts of additional long term debt financing depend on the structure of the financing and the need for it. The timing and amounts of additional short term debt financing depend on daily cash flows. Such changes result in daily changes to the capital structure, if investments in the money pool are included as well as borrowings. The timing of parent company equity infusions, earnings retained, and issuance of incremental long-term debt can affect the capital structure from one month to another, which is one reason why the Commission uses a 13-month average for the test year. The Commission can test for reasonableness within the test year by comparing the forecast to the Company's actual experience over time, which is what Mr. Kollen recommends. The forecast in and of itself is not reality, which is why it must be tested against reality.

WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 15
Page 1 of 2

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.

RESPONSE:

Yes, Mr. Kollen reviewed the Company's response to the referenced AG discovery. No, assuming that the term "components," as it is used in the question, applies to the dollar amount outstanding. Mr. Kollen compared the "components" in the forecast test year ending March 31, 2020 to the actual "components" for the calendar years 2019 and 2020.

(a). Mr. Kollen confirms that the 13-month average actual debt and equity outstanding were higher than the 13-month average amounts forecast in Case Number 2018-00261. However, Mr. Kollen notes that the Company's base rates are set not on capitalization, but rather are set on rate base. The capitalization is used only to determine the return applied to the rate base. Thus, the important fact is not that the Company's capitalization was greater due to additional investments made to electric rate base, but rather that the Company's capital structure reflected lower common equity and greater debt than it forecast and that the Commission accepted in Case No. 2018-00261.

(b). Denied. The statement is erroneous because it ignores the fact that the Company claims that the increase in debt and capitalization was due to an increase in electric rate base, not gas rate base. The revenue requirement formula applied the cost of capital to the rate base, which matches the debt outstanding to the debt ratio in the capital structure applied to the rate base and the equity outstanding to the equity ratio in the capital structure applied to rate base. The practical effect of the increase in actual debt outstanding is that there is a concomitant increase in electric rate base and the interest expense recoverable through electric

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revenue requirement, not the gas rate base and the interest expense recoverable through the gas revenue requirement.

- (c). Refer to the response to part (b) of the question.
- (d). Refer to the response to part (b) of the question.

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WITNESS RESPONSIBLE:
LANE KOLLEN / Counsel as to OBJECTIONS

QUESTION No. 16
Page 1 of 1

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.

RESPONSE:

- (a). Objection. The question is vague and lacks foundation. The question does not provide sufficient information to provide a definitive response.
- (b). Mr. Kollen addressed the capital structure, not the increase in capitalization over the two-year period, which, even if correct, does not address the mix of debt and equity.
- (c). Objection. The question is vague and lacks foundation. There were two preceding questions in parts (a) and (b). Part (c) does not reference which of the responses to the prior questions or provide any reference to Mr. Kollen's testimony in which he claimed that the Company should have issued less debt and more equity during the referenced two-year period. In his testimony at pages 30-32, Mr. Kollen stated that the Company failed to achieve the capital structure that it forecast in Case No. 2018-00261 and that the Commission relied on to set the base revenue requirement in that proceeding.

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WITNESS RESPONSIBLE:

LANE KOLLEN

QUESTION No. 17

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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?

RESPONSE:

Yes.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 18
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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?

RESPONSE:

Yes. Refer to Mr. Kollen's Direct Testimony at 20.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 19
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Does Mr. Kollen understand that Supplemental Executive Retirement Plan (SERP) expenses are nonqualified pension expense?

RESPONSE:

Yes.

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WITNESS RESPONSIBLE:
LANE KOLLEN / Counsel as to OBJECTION

QUESTION No. 20
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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?

RESPONSE:

Objection. Lack of foundation, vague. The question does not accurately and correctly state Mr. Kollen's recommendation, so Mr. Kollen is not able to respond to the question.

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WITNESS RESPONSIBLE:
LANE KOLLEN / Counsel as to OBJECTION

QUESTION No. 21
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Explain why Mr. Kollen is proposing to remove both 401k benefit costs and SERP nonqualified pension benefit costs.

RESPONSE:

Objection. Lack of foundation, assumes facts not in evidence, vague. The question does not accurately or correctly state Mr. Kollen's recommendations, which as Mr. Kollen noted in his testimony are based on Commission precedent. Mr. Kollen recommends that the Commission only remove a portion of the 401(k) benefit expense for employees that participate in both the pension and 401(k) plans. Mr. Kollen does not recommend that the entirety of the 401(k) expense be removed.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 22
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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?

RESPONSE:

No.

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WITNESS RESPONSIBLE:

NONE IDENTIFIED IN REQUEST / LANE KOLLEN IN RESPONSE /Counsel as to
OBJECTION

QUESTION No. 23

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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.

RESPONSE:

Objection. The question fails to identify a witness, and instead appears to be directed to the Attorney General. Counsel for DEK is well-aware that Kentucky's Rules of Ethics preclude attorneys from testifying. Additional Objection: the question seeks information covered by the work product and/or attorney-client privileges. Additional objection: the question assumes facts not in evidence, is argumentative, and is designed to harass and annoy the Attorney General and his retained experts. Without waiving any of these objections, the Attorney General's post-hearing brief, which will be based on the entire record of this case including the evidentiary hearing, will establish his positions.

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WITNESS RESPONSIBLE:
LANE KOLLEN

QUESTION No. 24
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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.

RESPONSE:

No. It is Mr. Kollen's position that the Company has the burden of proof and failed to demonstrate that there are benefits to customers, the standard applied by the Commission in other proceedings to recover EEI dues.

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WITNESS RESPONSIBLE:

RICHARD A. BAUDINO / Counsel as to OBJECTION

QUESTION No. 25

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- (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).

RESPONSE:

Objection. The question and all subparts are duplicative of request no. 3, are designed to harass and annoy the Attorney General and his expert witness. Additional objection: Asked and answered.

Additional objection: The question is vague, overbroad, requests items irrelevant to the instant proceeding, and seeks information not likely to lead to the discovery of admissible evidence. Counsel for DEK is just as capable of obtaining this information, which is located in the public domain, as is the Attorney General. Without waiving this objection, see the response to question no. 3.

With respect to (b), Mr. Baudino does not have a separate listing for his recommended return on equity for each case. These recommendations may be obtained from the filed testimonies listed in Mr. Baudino's Exhibit RAB-1.

With respect to (c), long-term Treasury bond yields may be obtained in the testimonies Mr. Baudino listed in his Exhibit RAB-1.

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3) All Other Required Approvals, Waivers, And Relief
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WITNESS RESPONSIBLE:

RICHARD A. BAUDINO / Counsel as to OBJECTION

QUESTION No. 26

Page 1 of 1

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

RESPONSE:

Objection. Some of the articles and textbooks cited in Mr. Baudino's testimony are covered by copyright, and thus cannot be provided into the record of this proceeding. See also the response to Question No. 6.

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WITNESS RESPONSIBLE:
RICHARD A. BAUDINO / Counsel as to Objection

QUESTION No. 27
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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.

RESPONSE:

Objection. Asked and answered. See the response provided to Question No. 6, and the items attached thereto.

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WITNESS RESPONSIBLE:
RICHARD A. BAUDINO

QUESTION No. 28
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Provide Excel spreadsheet versions of Mr. Baudino's exhibits with cell formulas intact.

RESPONSE:

Please refer to the spreadsheet entitled "Duke KY 2021 ROE.xlsx" provided in response to Question No. 6.

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WITNESS RESPONSIBLE:
RICHARD A. BAUDINO

QUESTION No. 29
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Please provide in Excel readable format the DCF results for each company in his peer group using the various growth proxies.

RESPONSE:

Mr. Baudino did not calculate the individual DCF results for each company in his gas proxy group using the various growth proxies as requested in this question.

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WITNESS RESPONSIBLE:
RICHARD A. BAUDINO

QUESTION No. 30
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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?

RESPONSE:

Yes.

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WITNESS RESPONSIBLE:

RICHARD A. BAUDINO / Counsel as to OBJECTION

QUESTION No. 31

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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?

RESPONSE:

Objection. Compound question, vague. Without waiving this objection, Mr. Baudino states: With respect to the first question, Mr. Baudino's answer is yes and this yield curve is usually referred to as a "steep" yield curve as investors expect expanded economic growth and increases in inflation. With respect to the second question, the consensus at this time is that interest rates will gradually increase.