

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 Electric Rates; 2)) Case No. 2022-00372
Approval of New Tariffs; 3) Approval of)
Accounting Practices to Establish)
Regulatory Assets and Liabilities; and 4))
All Other Required Approvals 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 or the Company), 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 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. 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 terms “Duke Energy Kentucky” and the “Company” 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.
- (j) The terms “Agreement or Agreements” shall mean written or oral terms agreed upon by the participants and include, but are not limited to, protective agreements, confidentiality agreements, joint defense agreements, agreements to support or oppose any item or position, and any other commitments made among the Attorney General and any Intervening Party.

II. REQUESTS FOR INFORMATION

General Questions

1. Other than Messrs. Kollen, Futral, 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 response to Interrogatory No. 1 above, please state:

- (a) the subject matter of the discussions/consultations/evaluations;
- (b) the written opinions of such persons regarding the Company's Application;
- (c) the facts to which each person relied upon; and
- (d) 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, Futral, 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; and

(f) the custodian of the transcripts and pre-filed testimony, statements, or analysis for each proceeding.

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

6. Please provide copies of any and all documents not created by Messrs. Kollen, Futral, and Baudino, including but not limited to, analysis, summaries, cases, reports, evaluations, *etc.*, that Messrs. Kollen, Futral, 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, Futral, Baudino, and any agent/employee of J. Kennedy and Associates 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; 5) fossil-fueled electric generating unit retirements; and 5) taxes.

8. Please refer to Messrs. Kollen, Futral, 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, Futral, 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 testimonies of Messrs. Kollen, Futral, and Baudino in this proceeding.

10. Please confirm that Messrs. Kollen, Futral, and Baudino are not electric service customers of Duke Energy Kentucky.

11. Please confirm that J. Kennedy and Associates is not an electric service customer of Duke Energy Kentucky.

12. Please state whether there are any agreements between the Attorney General and any Intervening Party to the above-captioned proceeding, or any member or affiliate of an Intervening Party to the proceeding, that concern said proceeding. For purposes of this Interrogatory, "intervening party" includes any party to have filed a motion to intervene in the above-captioned proceeding. To the extent that the Attorney General contends that any such documents are privileged, please provide a privilege log for the same.

13. Please state whether there are any agreements between the Attorney General and any entity exhibiting interest in the above-captioned proceeding, or any member or affiliate of an entity exhibiting interest to the proceeding, that concern said proceeding. For purposes of this Interrogatory, "entity exhibiting interest" includes any party that has not filed a motion to intervene in the above-captioned proceeding. To the extent that the

Attorney General contends that any such documents are privileged, please provide a privilege log for the same.

Questions for Witness Kollen

14. Please provide previous cases where the Kentucky Public Service Commission has required daily sales of receivables to be used in the calculation of the collection component of revenue lag days in cash working capital included in rate base.

15. Please provide the law, regulation, Kentucky Public Service Commission Order, or other legal precedent applicable to Duke Energy Kentucky that supports Mr. Kollen's recommendation for extending the amortization period for East Bend 2 Deferred O&M Expense Regulatory Asset.

16. Please provide the law or regulation applicable to Duke Energy Kentucky that prevents the Kentucky Public Service Commission from approving the retirement date or replacement capacity related to East Bend 2 in this proceeding.

17. Is Mr. Kollen a Certified Depreciation Professional?

18. Referencing pages 51 and 52 of Mr. Kollen's Direct Testimony, please confirm whether Case Nos. 2012-00578, 2020-0034952, and 2020-00350 involved Duke Energy Kentucky as the utility.

19. Please provide the source or legal basis for Mr. Kollen's statement that "[t]en years is an unduly short period of time if the remaining undepreciated net book value is significant."

20. Referencing page 67 of Mr. Kollen's Direct Testimony, what does the "next filing" required by the Kentucky Public Service Commission in its Order in Case 2021-00086 refer to?

21. Has Mr. Kollen performed any analysis regarding the rate impacts to customers of not adjusting the depreciation rates of East Bend 2 in this proceeding, assuming the plant must retire by 2035?

- a. If yes, please provide such analysis.
- b. If no, please provide the reason Mr. Kollen has not performed such an analysis.

22. Has Mr. Kollen performed any analysis regarding the undepreciated net book value (NBV) that would remain if East Bend 2's depreciation rates were not adjusted to align with a 2035 retirement date and the unit must retire by 2035?

- a. If yes, please provide such analysis.
- b. If no, please provide the reason Mr. Kollen has not performed such an analysis.

23. Provide all testimony and supporting workpapers from other rate cases and jurisdictions where Mr. Kollen supported and/or performed a lead lag study.

24. Provide all testimony and supporting workpapers from other rate cases and jurisdictions where Mr. Kollen submitted testimony addressing the sale of receivables.

25. Provide all testimony and supporting workpapers from other rate cases and jurisdictions where Mr. Kollen submitted testimony addressing a lead lag study.

26. In Mr. Kollen's testimony on Page 11, lines 13 to 16, he states: "CRC is an affiliated special purpose financing entity used to accelerate the Company's conversion of receivables into cash on a daily basis rather than waiting until customers actually pay their bills."

- a. Is this statement saying that for the billing on a given day, Duke Energy Kentucky receives the cash from CRC for that billing on the next working day? If not, please explain.
- b. Is CRC the source of the cash? If it is, please provide the source documents that support this transfer of cash. If not, please explain.

27. In Mr. Kollen's testimony on Page 12, lines 11 to 14, he states: "While procedurally this may be correct, substantively it is incorrect. The Company actually sells its receivables to CRC daily for cash. The Company actually collects cash from its customers to remit to CRC daily. However, it only remits or collects the net of these two daily and recurring cash flows to CRC on a monthly basis."

- a. Is this statement saying that the actual transfer of cash between Duke Energy Kentucky and CRC only occurs monthly? If not, please explain.
- b. If the flow of cash is going from CRC to Duke Energy Kentucky, please provide the source documents that support this transfer of cash.
- c. If the flow of cash is going from Duke Energy Kentucky to CRC, please provide the source documents that support this transfer of cash.

28. Regarding the conversion of receivables billings into cash on a daily basis to Duke Energy Kentucky from CRC before the customer actually pays the bills, identify the source of the cash.

- a. Is it from the \$350 Million maximum of borrowing capacity? If so, please explain.
- b. Is it from borrowing by CRC over the \$350 Million borrowing capacity? If so, please explain.

c. If it is something else, please identify and explain the source and flow of cash.

29. Provide all testimony and supporting workpapers from other rate cases and jurisdictions where Mr. Kollen supported zero cost vendor financing.

30. Does Mr. Kollen know of any jurisdictions other than Kentucky that require accounts payable zero cost vendor adjustments to rate base?

31. In Mr. Kollen's testimony, he noted that the Kentucky Commission adopted adjustments for Construction accounts payable and Prepayment accounts payable in the Kentucky Power Company and Atmos Energy Corporation rate cases. Did the Kentucky Commission ever support zero cost accounts payable adjustments for inventory items such as coal and lime? If yes, please provide the case/docket number. If not, what is the support and assumptions for making the inventory accounts payable adjustments for coal and lime?

Questions for Witness Baudino

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

Questions for Witness Futral

33. Referencing Page 16 of Mr. Futral's testimony, is Mr. Futral aware that the \$14.498M includes any prior period adjustments for other Kentucky property tax years? If yes, please provide the calculation separating the \$14.498M between property tax years 2021 and 2020.

34. Is Mr. Futral familiar with the unit value approach of valuing property? If yes, please explain his understanding.

35. Is Mr. Futral aware that the Kentucky Department of Revenue assesses

public utilities based upon the unit value method?

a. If yes, did Mr. Futral perform an analysis using the unit value approach in making his recommendations.

i. If yes, provide that analysis and explain how Mr. Futral incorporated the unit value approach in recommendation.

36. Does Mr. Futral's property effective tax rate (ETR) have a component to account for changes in operating income? If so, please provide Mr. Futral's detailed formula calculation that reflects the change in operating income between tax years 2020 to 2021 and tax years 2021 to 2022.

37. Why does Mr. Futral believe that the 2022 property tax book expense of \$15.510M is comparable to the estimated property tax year expense that utilizes the assessing authorities' 2021 valuation notices and tax year 2021 estimated tax rate?

38. How is the 2021 recorded property tax book expense that includes various activity, including but not limited to property tax associated with tax years 2020 and 2021, a reasonable starting point to estimate property taxes for the test period?

39. Does Mr. Futral agree that GAAP accounting rules require a company to must recognize a property tax expense in the property tax year? If yes, Is Mr. Futral aware that Does Duke Energy Kentucky follows this rule?

40. Does the Kentucky Department of Revenue consider the income approach to value when calculating unit value? If yes, what is the escalation percentage needed to account for estimated income increases for tax assessment year 2022?

41. Does Mr. Futral know whether net plant is the only information the Kentucky Department of Revenue utilizes to calculate value?

- a. If no, what other information or approaches to value does the Kentucky Department of Revenue utilize?
 - b. Did the Kentucky Department of Revenue use any of this other information, as referenced in the response to Interrogatory 40(a) above, in its tax year 2021 unit valuation analysis?
42. Are tax rate and net plant increases the only factors that could change property tax from one year to the next?
- a. If no, what are other factors?
 - b. Is it possible these other factors, as referenced in the response to Interrogatory 41(a) above, are included in Duke Energy Kentucky's escalation calculations? If yes, please explain your reasoning.

Respectfully submitted,

DUKE ENERGY KENTUCKY, INC.

/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 in paper medium; that the electronic filing was transmitted to the Commission on March 24, 2023; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that submitting the original filing to the Commission in paper medium is no longer required as it has been granted a permanent deviation.¹

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¹In the Matter of Electronic Emergency Docket Related to the Novel Coronavirus COVID-19, Order, Case No. 2020-00085 (Ky. P.S.C. July 22, 2021).