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VIA FAX AND OVERNIGHT MAIL

RECEIVED
SEP 27 2006
PUBLIC SERVICE COMMISSION

September 26, 2006

Ms. Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 2006-00172

Dear Ms. O'Donnell:

Enclosed you will find an original and twelve copies of Duke Energy Kentucky's First Set of Requests for Information to the Attorney General and The Kroger Company and St. Elizabeth Medical Center in the above-referenced case.

Please date-stamp and return the two extra copies in the enclosed overnight envelope.

Thank you.

Very truly yours,

John J. Finnigan, Jr.
Associate General Counsel

JJF/sew

Hon. Elizabeth E. Blackford (w/ enclosures)
Hon. Dennis Howard (w/enclosures)
Hon. Michael L. Kurtz (w/enclosures)

RECEIVED

SEP 27 2006

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSIO

In the Matter of the Adjustment of Electric Rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky	))))	Case No. 2006-00 Original

DUKE ENERGY KENTUCKY'S REQUESTS FOR INFORMATION TO ATTORNEY GENERAL

Duke Energy Kentucky ("DEK" or "Company") requests that the Attorney General ("AG") respond fully, in writing, and under oath to the following set of interrogatories and requests for production of documents (collectively, the "Information Requests").

<u>DEFINITIONS AND INSTRUCTIONS</u>

These Information Requests are continuing in nature. Therefore, with respect to any of the following interrogatories or requests for production of documents as to which AG or its counsel acquires additional knowledge or information, DEK asks that AG immediately serve on the undersigned further answers fully setting forth any such additional knowledge or information.

When an interrogatory or request for production of documents does not specifically request a particular fact or document, but such fact or document is necessary to make the response comprehensive, complete, or not misleading, such interrogatory or request for production of documents shall be deemed to specifically request that fact(s) or document(s).

The requests for production of documents include, without limitation, all documents that are in the possession, custody, or control of AG and/or AG's predecessors, successors, parents, subsidiaries, divisions, officers, directors, employees, agents or representatives, including any and all documents obtained by AG and/or AG's representatives, counsel, or agents from any source whatsoever.

For the purposes of these Information Requests, unless otherwise stated, the following terms shall have the meanings indicated:

Person is any human being, corporation, association, joint venture, government, governmental agency, public corporation, board, commission, regulatory authority, committee, partnership, group, firm, or any other organization or entity cognizable at law; *Rate Case Proceeding* means the above-captioned matter and any other matters filed by DEK in the above-referenced docket of the Public Service Commission of Kentucky.

You, your, or *yours* means AG, AG's predecessors in interest, successors, parents, divisions, and subsidiaries and any of AG's agents, representatives, employees, or counsel;

Document is intended to be comprehensive and includes, without limitation, the original and any non-identical copy, regardless of origin or location, of any data, correspondence, internal correspondence, statement, report, record book, record, account book, account, pamphlet, periodical, discovery, letter, memorandum, internal memorandum, telegram, telex, cable, study, stenographic or handwritten note, paper, working paper, facsimile, invoice, bill, voucher, check, statement, chart, graph, drawing, voice recording, tape, microfilm, microfiche, computer disk, floppy disk, tape data sheet, or data processing card or disk, electronic mail, or any other written, recorded, transcribed, punched, taped, filmed or graphic matter, however stored, produced or reproduced, to which you have or have had access or which location is known to you;

The term *identify* when used with reference to a natural person, means to state: (a) that person's full name, (b) that person's present (or last known) position and business affiliation, (c) that person's present (or last known) residence address and telephone number, and (d) the nature of that person's past and present relationship with you;

The term *identify* when used with reference to an entity other than a natural person, means to state the full name, and present (or last known) address and telephone number of the entity;

The term *identify* when used with reference to a document, including any document relied upon in any answer to any interrogatory or request for production of documents, or that corroborates any such response, means to state: (a) the type of document, (b) its title or subject matter, (c) the date of the document, (d) the identity of the document's author, sender, and every recipient of the document or of a copy thereof, and (e) the present location and custodian of the document and every known copy thereof. When the document is a written agreement or contract, *identify* also means to state the date such written agreement or contract was entered into and its effective date, the name of each party thereto, the identity of each person who signed such agreement on behalf of each party thereto, the date of termination and the date of every amendment or modification thereto;

Relating to means constituting, defining, containing, mentioning, embodying, reflecting, regarding, referencing, identifying, stating, concerning, referring to, dealing with, generated wholly or partly in response to or because of, or in any way pertaining to.

If any information called for by an interrogatory or request for production of documents is withheld on the basis of a claim of privilege, the nature of the information with respect of which privilege is claimed shall be set forth in answers hereto, together with the type of privilege claimed and a statement of all circumstances upon which plaintiff will rely to support such a claim of privilege. Any documents that are allegedly privileged or otherwise unavailable shall be identified in writing by indicating the following:

(1) the date of the document;

(2) the author of the document;

(3) the recipient(s) of the document;

(4) the general subject matter of the document;

(5) the identity of any and all persons to whom the contents of the document have already been revealed;

(6) the identity of the person or entity now in possession or control of the document; and

(7) the basis upon which the document is being withheld or the reason why it cannot be produced.

DEK expressly reserves the right to request more information to determine whether such documents are privileged or otherwise not subject to production.

<u>**REQUESTS FOR INFORMATION**</u>

Requests for Information Directed to Mr. Henkes

1. Refer to page 20 of Mr. Henkes Direct Testimony. In determining the average Other Operating Revenue did Mr. Henkes give additional weight to the last seven months of 2005 by including both calendar year 2005 and the twelve months ended May 31, 2006 in his average?

2. Why does Mr. Henkes believe that the last seven months of 2005 should receive additional weight in the calculation of average Other Operating Revenue?

3. Does Mr. Henkes agree that, if the revenue during the last seven months of 2005 is not representative of average operating revenues over the course of a twelve-month calendar year, then his method would not show a normalized level of average Other Operating Revenue for a twelve-month calendar year period?

4. Does Mr. Henkes have any knowledge, information or belief to suggest whether the revenue during the last seven months of 2005 is or is not representative of DEK's normal operating revenue over the course of a twelve-month period? If so, please state whether such revenues are representative, and provide the basis for your opinion.

5. Does Mr. Henkes agree that another method to calculate average Other Operating Revenues during the period in question is to give equal weight to each month?

6. Does Mr. Henkes have an opinion as to whether it would be reasonable to calculate average Other Operating Revenues during the period in question is to give equal weight to each month? If so, please state your opinion and the basis for your opinion.

7. Please refer to pages 18 and 19 of Mr. Henkes' direct testimony.

   a. Please review the rent expense calculation for the forecasted test period. Does Mr. Henkes agree that the rent expense for the forecasted test period was calculated in the same manner as the rent revenues during the forecasted test period?

   b. If the answer to the preceding information request is in the affirmative, does Mr. Henkes agree that the Company's expenses for the forecasted test period should be adjusted to reflect the correct amount of rent expense?

8. Please refer to Schedule RJH-10. Please reconcile the $1,200 variance between the proposed revenue shown on line 1 of $666,192 and the amount in footnote (1) of $667,392.

a. Which of these two amounts did Mr. Henkes use in his calculation of the revenue requirement?

b. Does the reconciliation of these numbers cause any change to the amount that he used in the calculation of the revenue requirement? Explain why a change would or would not occur.

9. Please refer to Schedule RJH-19.

a. Mr. Henkes recommended that the Commission should reject the Company's proposal relating to the AMI program. Did Mr. Henkes' adjustment to working capital reflect the elimination of the O&M savings associated with the AMI program?

b. Does Mr. Henkes agree that, if the Commission rejects the Company's proposal relating to the AMI program, then his calculation of working capital should be revised to reflect the elimination of the O&M savings associated with the AMI program? If not, why not?

c. Does Mr. Henkes' proposal relating to uncollectibles impact the calculation of O&M expense?

d. Please explain why Mr. Henkes did not include the "Impact on Uncollectibles" from the various revenue adjustments he proposes as a change in O&M expense.

10. In light of the changes in the overall rate of return proposed by Dr. Woolridge, and incorporated by Mr. Henkes, does Mr. Henkes agree that the AFUDC Offset adjustment as originally filed by the Company, in Schedule D-2.20, should be revised? If not, why not?

11. Please refer to the Company's Schedule D-2.29.

a. Would Mr. Henkes agree that a change in the Company's earnings from production activities, such as a reduction in the approved return on equity, should result in a change in the level of deduction allowed under IRC Section 199?

b. Please confirm that Mr. Henkes did not propose a revision to the adjustment for IRC Section 199 as shown in the Company's Schedule D-2.29?

c. Given that the AG has proposed a reduction in the approved return on equity, shouldn't there also be a change in the level of deduction allowed under IRC Section 199?

12. On page 36 of his testimony, Mr. Henkes recommends that forecasted test period expenses be adjusted to remove certain professional services based upon his review of data requests KPSC-2-33 and KPSC-3-22.

   a. As to the professional services expenses that Mr. Henkes proposes to exclude, please explain why each such professional service should not be recoverable from ratepayers.

   b. Assume that DEK's parent companies have Sarbanes-Oxley compliance costs. Please explain why Mr. Henkes believes that DEK hould not be allocated a share of DEK's parent companies' costs of complying with Sarbanes-Oxley requirements.

   c. Please explain why Mr. Henkes believes that DEK should not be allocated a share of its parent company's cost of designing and printing an annual report to shareholders.

   d. Assume that DEK avoided certain Sarbanes-Oxley costs by de-registering with the U.S. Securities and Exchange Commission at the time of the Duke/Cinergy merger. Does Mr. Henkes know whether DEK would still be subject to any other types of either direct or allocated Sarbanes-Oxley costs?

13. Refer to Schedule RJH-10. Would Mr. Henkes agree that the Company included, on Schedule D-2.17 and WPD-2.17a, Affiliated Company Rents, a portion of Rent for Common Facility Unit 7? If yes, does Mr. Henkes agree that his adjustment is overstated because the Company has already included some portion of these revenues in the forecasted test period revenues, and Mr. Henkes' adjustment therefore double-counts such revenues?

14. Beginning on page 14, of his testimony, Mr. Henkes proposes an adjustment to include proceeds on the sale of emission allowances in the Company's forecasted test year revenue requirements.

   a. Does Mr. Henkes agree that the Company's response to AG-DR-02-007(d) actually states it would treat the "margins" from the sales of EAs above-the-line for ratemaking purposes, rather than the "proceeds"?

   b. Does Mr. Henkes agree that it would more appropriate to base his recommendation on EA "margins" rather than "gross proceeds," in order to recognize the cost of goods sold? If not, why not?

   c. If the answer to the preceding information request is in the affirmative, please provide a calculation of the EA margins that Mr. Henkes proposes should be included in the forecasted test period revenues.

15. Refer to Schedule RJH-8. In footnote (1), Mr. Henkes illustrates the calculation he used to arrive at his proposed annual EA sales proceeds.

   a. Does Mr. Henkes agree that an average of the EA proceeds for calendar year 2005 and for the twelve months ending July 31, 2006 double weights the last five months of 2005?

   b. Why does Mr. Henkes believe that the last five months of 2005 should receive additional weight in the calculation of annual EA sales proceeds?

   c. Does Mr. Henkes agree that, if the revenue during the last five months of 2005 is not representative of annual EA sales proceeds over the course of a twelve-month calendar year, then his method would show a normalized level of annual EA sales proceeds for a twelve-month calendar year period?

   d. Does Mr. Henkes have any knowledge, information or belief to suggest whether the revenue during the last five months of 2005 is or is not representative of DEK's normal annual EA sales proceeds over the course of a twelve-month period? If so, please state whether such revenues are representative, and provide the basis for your opinion.

   e. Does Mr. Henkes agree that another method to calculate annual EA sales proceeds during the period in question is to give equal weight to each month?

   f. Does Mr. Henkes have an opinion as to whether it would be reasonable to calculate average annual EA sales proceeds during the period in question is to give equal weight to each month? If so, please state your opinion and the basis for your opinion.

16. Would Mr. Henkes agree that any adjustment to revenue requirement for sales of emission allowances would have to be incorporated in the base year revenue requirement for future filings DEK may make in pursuant to KRS 278.183, for recovery of environmental compliance costs?

17. At pages 15-17 of his testimony, Mr. Henkes discusses his proposal to include a "base" amount of MISO Make-Whole payments in the Company's revenue requirements.

   a. Does Mr. Henkes agree that, if the Commission orders the Company to incorporate a level of make-whole payments in base rates, then in future FAC proceedings, there should be no adjustment related to the make-whole payment in the Company's calculation of the FAC rate?

b. Does Mr. Henkes' agree that, in his calculation on Schedule RJH-9, footnote (1) for the Woodsdale Unit 6 component of his calculation, the correct amount should be $974,637?

18. Please refer to page 8 of Mr. Henkes Direct Testimony and his Schedule RJH-2. Does Mr. Henkes agree that the Company's response to AG-DR-02-011 indicated that the total uncollectible expense was actually $1,585,770, not the $867,292 as originally indicated in response to AG-DR-01-048? Does Mr. Henkes agree that, by using the correct uncollectible expense of $1,585,770, this produces an uncollectible ratio of 0.5493%?

19. On page 25 of his testimony, Mr. Henkes states that "AMI related savings are not included in the Forecasted Period financial results." Does Mr. Henkes agree that the Company has included projected savings associated with the AMI program in its adjustment shown in Schedule D-2.35 and WPD-2.35a? Does this cause Mr. Henkes to change any other recommendations relating to the AMI program? If not, please explain why not.

20. Please provide copies of any testimony submitted by Mr. Henkes in any jurisdiction on the topic of automated or advanced metering initiatives or "smart metering."

21. Please provide copies of any testimony submitted by Mr. Henkes in any jurisdiction on the topic of retail rate recovery of MISO costs.

22. On page 31 of his testimony, Mr. Henkes states that "the Company essentially committed that it would share its deferred cost on a 50/50 basis between its ratepayers and shareholders." Please provide the exact language in the Commission's Order or the Companies' filings in Case No. 2003-00252 that caused by Henkes to conclude that the Company made this commitment.

Requests for Information Directed to Mr. Majoros

23. Mr. Majoros' testimony states that DEK should be required to apply separated depreciation rates and that this does not require any change to current accounting. If DEK were to do so, please explain what procedure DEK would follow to accomplish this?

24. Mr. Majoros' testimony states that the Company made an "unjustified switch to the equal life group procedure." Does Mr. Majoros agree that this the same procedure accepted by this Commission in Case No. 2005-00042 and Case No. 2001-00092?

25. Please define "composite depreciation."

26. In data request KyPSC-DR-03-009(a), Staff asked why the attachment to KyPSC-DR-02-006(c) does not show a composite rate "for the various plant groupings." Does this refer to the total of each functional group? If not, please provide what is your understanding of what "composite rate" referred to as used in this data request.

27. Exhibit___ (MJM-2) contains selected paged from DEK's (ULH&P) 2005 FERC Form 1. Referring to page 337 of that Exhibit, Mr. Majoros states: "ULH&P does not show anything in those cells because it uses composite depreciation rates." Does Mr. Majoros admit that page 337 could be blank as a result of instruction number 3 on page 336, requiring page 337 to be reported every fifth year beginning in 1971?

28. Please explain how non-regulated industries account for cost of removal.

29. Please explain how regulated electric utilities in Kentucky account for cost of removal.

30. Referring to Mr. Majoros' testimony at page 24, lines 16 through 18, could CG&E have established the cost of removal related to its deregulated generating assets as a regulatory asset under GAAP? If not, why not?

31. Can DEK transfer any cost of removal to income without the related assets being deregulated?

32. Page 34 of Mr. Majoros' testimony states: "ULH&P's approach is not in harmony with generally accepted accounting principles and never has been..." Please explain how the Company, which is audited annually by independent auditors and periodically by FERC, can be permitted to follow an accounting procedure that does not conform to generally accepted accounting principles.

33. Regarding Exhibit MJM-11, please provide:

    a. The source(s) of the underlying data for this exhibit.

    b. The date when this exhibit was last updated.

    c. Provide each version of this exhibit that Mr. Majoros has filed with any state utility commission since January 1, 2000 that contains different data than the data contained on Exhibit MJM-11.

34. Please reference page 18, lines 5-8 of Mr. Majoros' testimony. Please provide any the appropriate page number in FERC Order 631 all references where non-legal asset retirement obligations are defined as "excess collections."

35. Please reference page 18, lines 9-11 of Mr. Majoros' testimony. Please provide the complete citation for the supporting accounting or regulatory accounting guidance behind the statement: "If a utility has charged cost of removal for a non-legal ARO, that amount is to be segregated within accumulated depreciation and reclassified as a regulatory liability."

36. Please reference page 18, lines 11-12 of Mr. Majoros' testimony. Please provide the complete citation for note 17 which supports the statement: "Furthermore, it a utility has collected too much depreciation for a legal ARO, the excess also becomes a regulatory liability."

37. Please reference page 28, lines 20-22 of Mr. Majoros' testimony. Please provide all known examples of supporting the statement: "Experience indicates that it is highly unlikely that these amounts will be spent for cost of removal in the magnitude that they have been collected."

38. Please reference page 48, line 6 of Mr. Majoros' testimony.

    a. Please provide a listing of the state agencies referred to that have adopted the proposals you are recommending.

    b. Please provide a listing of the state agencies that have considered the proposals you are making in this docket, but the proposals were not accepted.

    c. For each state agency in (1) and (2), please provided the following: state jurisdiction, company, docket, year, statement as to which proposals were made, which proposals were accepted, and which proposals were not accepted.

39. Please reference page 9, line 3 of Mr. Majoros' testimony. Please provide a copy of any statements made by the Company where the Company stated it does not have any plans to retire or remove the plants.

40. Please reference page 9, lines 18-19 of Mr. Majoros' testimony. Please provide all supporting documentation, including calculations, to support your statement that the Company is experiencing positive net salvage.

41. Please reference page 12, lines 2-5 of Mr. Majoros' testimony. Has the Kentucky Commission or any other state commission ever considered and rejected the ELG method? If so, provide the case number and date of order.

42. Please reference page 15, lines 9-14 of Mr. Majoros' testimony. Provide the case number and date of order of the FCC orders referenced in this statement.

43. Please reference page 16, line 20 of Mr. Majoros' testimony. Please explain in detail the "theoretical considerations" to which Mr. Majoros is referring.

44. Please reference page 17, lines 16-18 of Mr. Majoros' testimony. Does Mr. Majoros agree that, as a general ratemaking principle, the customers who receive the use of utility property, plant and equipment should be charged for the costs relating to such property, plant and equipment?

45. Please reference page 22, lines 25-27 of Mr. Majoros' testimony. Please provide details (company listing, statements, publications, filings, etc.) for utilities that consider amounts in accumulated depreciation to be their money.

46. Please reference page 22, line 30 of Mr. Majoros' testimony. How is Mr. Majoros statement that the Company has no plans to retire/remove plants (see p. 9, line 3), consistent with his statement on page 22, line 30?

47. Please reference page 23, lines 1-6 of Mr. Majoros' testimony. Please provide all known examples of electric utilities operating in states where retail electric generation has not been deregulated, where the utility recognized past collections of costs of removal as income.

48. Please reference page 28, lines 20-22 of Mr. Majoros' testimony. Please specify all known examples for the statement: "Experience indicates that it is highly unlikely that these amounts will be spent for cost of removal in the magnitude that they have been collected."

49. Please reference Exhibit MJM-6 of Mr. Majoros' testimony. Show support and specific procedures used to separate the capital recovery and cost of removal components of the proposed depreciation rates. Please provide the support for the ASL and salvage rate.

50. Please reference page 28, line 25 of Mr. Majoros' testimony. Explain the basis for the statement that ratepayers have a "security interest" in cost of removal incorporated into depreciation rates. Provide copies of all supporting cases and accounting principles.

51. Please provide the case numbers, dates of orders, and copies of KyPSC order(s) where the Commission has ordered a utility company to perform separate identification and reporting for regulatory liabilities based on non-legal AROs.

52. Please reference page 30, lines 1-2 of Mr. Majoros' testimony. Show support in the calculation of the $278,000 average positive net salvage for the period 2001 through 2005.

53. Please reference page 39, lines 11-17 of Mr. Majoros' testimony. Explain the basis for the statement that "It is not even reasonable to assume that it (DEK) will

incur these future removal costs." Also, please cite where DEK has stated that they will never incur actual costs of removal that would be the basis for the statement that the "only reasonable conclusion is that (DEK) will never incur actual costs of removal relating to non-legal AROs..."

54. Please reference page 47, lines 16-18 and page 49 lines 11-15 of Mr. Majoros' testimony. Provide the case numbers, dates of orders, and copies of orders where a state utility commission has expressly adopted any of the three alternatives; cash basis, SFAS No. 143 Fair Value, net present value, or the normalized net salvage approach. Please indicate by order which approach was adopted.

55. On page 5 of his testimony, begining at line 1, Mr. Majoros states: "No, at best Mr. Spanos provides a misleading impression concerning current depreciation rates." Please provide each and every basis for this statement.

56. On page 6 of his testimony, begining at line 22, Mr. Majoros states: "He [Mr. Spanos] implies that ULH&P's current depreciation rates were calculated using the same methods, proceedures and techniques, but that is not the case." Please provide each and every basis for this statement.

57. On page 8 of his testimony, begining at line 10, Mr. Majoros states: "Yes. I have several additional examples of ULH&P's lack of credibility." Please provide each and every basis for this statement.

58. Please reference page 5, line 8 of Mr. Majoros' testimony. Please identify the method and criteria that you have used to determine that Mr. Spanos has used artificially short lives for certain major accounts.

59. Please reference page 5, line 9 of Mr. Majoros' testimony. Please explain why you have identified the ELG method as "unjustified" for DEK to use.

60. Please reference page 6, line 17 of Mr. Majoros' testimony. Based upon your judgment only, please indicate on a composite depreciation bar chart by functional group, what you consider the low end of the bar chart to start at and the high end of the bar chart to end. Please indicate where your proposed rates for DEK would be marked.

61. Please reference page 8, lines 14-17 of Mr. Majoros' testimony. Please specifically identify any accounting error made by the parent company in the adoption of FAS 143, based upon the plants being deregulated, for the recording of the accrued cost of removal.

62. Please reference page 8, lines 17-21 of Mr. Majoros' testimony. Please indicate what the industry trend is for accounting for cost of removal if plants are regulated based upon the adoption of FAS 143.

63. Please reference page 8, lines 17-21 of Mr. Majoros' testimony. Identify if the DEK statement per your testimony "the company acknowledges internally that if the plants were still deregulated, they would not be allowed to charge additional terminal cost of removal to depreciation" would indicate an error in the accounting under FAS 143. Please explain the basis for your answer.

64. For the Kentucky state commission proceedings in which Mr. Majoros has testified, please indicate what proposals Mr. Majoros has made in each case, and indicate which proposals were accepted by the Commission and which proposals were rejected by the Commission.

65. Please reference page 15, lines 15-17 of Mr. Majoros' testimony. In Case No. 2005-00242, you testified at page 12, line 12 that you do not accept the ELG procedure. Based upon your experience do you believe that the FCC's and the Kentucky Commission's adoption and use of the ELG method is unwarranted? Please provide that basis for your answer.

66. Please reference page 17, lines 7-11 of Mr. Majoros' testimony. Please explain the contradiction between the following statements in your testimony (pg17 line7-8) "It is clear that **many** of Mr. Spanos' selections were not the best fit" and (pg 17 line 9-10) "I recommend different parameters for **three** accounts".

67. Please reference page 17, line 18 of Mr. Majoros' testimony. Per your testimony (pg 17 line 18) "I disagree with charging ratepayers for estimated future cost of removal." Please explain your position concerning the inclusion of future cost of removal and why this cost should be paid by the future customers even though they do not receive benefit from the plant retired.

68. Please reference page 17, line 21 through p. 18, line 1 of Mr. Majoros' testimony. Provide support for your opinion that: "...Companies are charging ratepayers far more for cost of removal than they will ever spend."

69. You were a witness in Case # 2005-00042. Were you a witness in the same capacity as the current case? Please identify the specific areas of your testimony that was adopted by the commission. Please quantify the impact of your testimony upon the final gas depreciation rates approved by the commission in relationship to the company proposed rates.

70. Please reference page 34, lines 3-6 of Mr. Majoros' testimony. Identify specific DEK accounting that indicates that DEK accounting practices are in error to support the following, per your testimony at page 34 lines 3-6: "... ULH&P's approach is not in harmony with generally accepted accounting principles and never has been, as implicitly reaffirmed in SFAF No. 143."

71. Please reference Exhibit MJM-5, page 4 of Mr. Majoros' testimony. Provide additional support for the following accounts 3640, 3650 and 3680 for the following:

a. change to remaining life; and

b. calculated reserve.

Requests for Information Directed to Dr. Woolridge

72. Please provide the currently authorized return on equity for the each of the 13 and 27 electric utilities in your two samples of comparable companies shown on Exhibits JRW-3.

73. Are there any investor-owned electric utilities with an allowed rate of return on common equity that is equal to, or less than, what Dr. Woolridge recommends in this proceeding? If so, provide a list of such utilities, and the case number and date of order of the applicable state utility commission decision.

74. Please provide your return on equity recommendation and the return on equity authorized for each electric and/or gas case in which you have testified in the last five years. Please also provide the prevailing yield on long-term Treasury bonds at the time of filing these testimonies, and your source for these yields.

75. Please provide a copy of the documents cited in footnotes 2, 3, 15, and 17 of Dr. Woolridge's testimony and a copy of the current edition of the same publication, if applicable.

76. Is it Dr. Woolridge's opinion that electric utility stocks have outperformed or underperformed the overall equity market during the last five years? Please provide any supporting evidence.

77. Is it Dr. Woolridge's opinion that DEK's parent company, Duke Energy Corporation, has outperformed or underperformed utility stocks in the last five years? Please provide any supporting evidence.

78. In light of his discussion of market-to-book ratios contained on pages 11-13, does Dr. Woolridge advocate a regulatory process which produces a market-to-book ratio of 1.00? If so, please reconcile this statement with the statement on page 13 lines 1-5 that "*market-to-book ratios for this group have increased gradually.....and increased to 1.95 as of 2005..*"

79. Does Dr. Woolridge believe that his cost of equity recommendation will maintain, increase, or decrease DEK's parent company's market-to-book ratio? Please explain the basis for your answer.

80. Please provide the market-to-book ratios of each company in Dr. Woolridge's two samples of utility companies for the past ten years.

81. Does Dr. Woolridge subscribe to the assumption in the standard DCF model that the price/earnings and price/book ratios remain constant?

82. Please provide the source document and data for the ROE and market-to-book ratio data shown on Exhibit JRW-5 Page3.

83. Please provide a list of college-level finance (corporate finance, investments, banking, *etc.*) courses Dr. Woolridge has taught, singly or jointly, since January 1, 2000 or is currently teaching, the syllabus for these courses, and a list of textbooks/readings used in these courses.

84. Does Dr. Woolridge's recommended cost of common equity assume the maintenance of the company's existing capital structure or does it assume some other capital structure. If so, please state Dr. Woolridge's recommended ROE under both the company's existing capital structure and his recommended capital structure.

85. Is it Dr. Woolridge's contention that electric utility stocks have become more risky, less risky, or as risky as in the past?

86. Please provide copies of any monograph, or article and summaries of any book published in academic journals and subject to peer review in the last five years dealing with the subject of finance and/or regulation.

87. Please restate the common equity ratios cited on Page 9 and Exhibit JRW-4 of Dr. Woolridge's testimony excluding short-term debt.

88. Given his discussion on the widespread application of multi-stage DCF models on pages 17-18 of his testimony, on what basis did Dr. Woolridge decide not to apply the multi-stage version of the DCF model to his sample comparable companies?

89. Please quantify the overstatement of the equity cost rate estimate derived from the DCF model discussed on page 21 lines 19-20 of Dr. Woolridge's testimony.

    a. Did Dr. Woolridge's adjust his recommended ROE downward in light of this overstatement? If so, by how much?

    b. Is the converse proposition true as well, that is, does the DCF model understate the cost of equity when the overall cost of capital is applied to a historical rate base?

c. If the answer to the preceding data request is in the affirmative, provide a list of all cases during the past five years involving an historical rate base where Dr. Woolridge has recommended an upward adjustment to the ROE to reflect this fact.

90. In light of Dr. Woolridge's discussion of income taxes on pages 5-6 of his testimony, to what extent does Dr. Woolridge believe that non-taxable investors (pension funds, mutual funds, *etc.*) dominate stock trading? What is the relative importance of common stock trading conducted by taxable vs. non-taxable investors in Dr. Woolridge's opinion?

91. To what extent, if any, does Dr. Woolridge believe that non-taxable investors (pension funds, mutual funds, *etc.*) dominate common stock ownership? What is the relative importance of common stock ownership held by taxable vs. non-taxable investors in Dr. Woolridge's opinion?

92. Are the analysts' growth forecasts by Zacks, First Call, and Reuters discussed on page 22, lines 19-20 upwardly biased in light of Dr. Woolridge's severe criticisms of such forecasts on pages 70-73 of his testimony?

93. Are Dr. Woolridge's estimate of the market risk premium of 5%-7% cited on page 32, line 16 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns.

94. Is Dr. Woolridge's estimate of the market risk premium of 3% - 4% cited on page 35 line 2 and line 8 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns.

95. Is Dr. Woolridge's estimate of the market risk premium of 4.13% cited on page 44, line 16 of his testimony based on arithmetic or geometric mean returns? If based on the latter, please restate these estimates on the basis of arithmetic mean returns.

96. Given the statement on page 56 lines 11-12 that bond returns are biased downward because of capital losses suffered by bondholders in the past, does Dr. Woolridge believe that stock returns are also downward biased because of similar unexpected capital losses? If not, why not?

97. Please provide the complete study of analyst's growth forecasts discussed on pages 70-73 of Dr. Woolridge's testimony.

98. Can Dr. Woolridge explain how his cost of equity recommendation can differ from the long-term expected return (ROE) forecast in Value Line for each

company in Exhibit JRW-7 Page 4 Panel B for his two samples of electric utilities?

99. On page 8 of his testimony, Dr. Woolridge discusses his proposed capital structure for use in this proceeding. Please provide the following information:

a. To Dr. Woolridge knowledge, have any regulatory commissions approved the methodology whereby the average equity ratio for a proxy group is averaged with the company's actual/projected equity ratio to develop a capital structure for a utility seeking rate relief? If so, please list the jurisdiction, utility involved, case numbers and date of orders.

b. Has Dr. Woolridge ever proposed this methodology in any of his previously filed testimony in other cases listed in Appendix A of his testimony? If so, please list the jurisdiction, utility involved, case numbers and date of orders, and whether or not such proposal was approved by the commission.

c. To Dr. Woolridge's knowledge, do the capital structures for the companies in his Group A reflect "per books" capital structure or the latest capital structure approved by the state regulatory commission?

100. On page 8 of his testimony, Dr. Woolridge indicates that the average equity capitalization for his proxy group is 43.00%.

a. Please confirm whether Dr. Woolridge's calculated 43.00% shareholders' equity calculated in Exhibit_(JRW-4) includes or excludes preferred equity.

b. Is Dr. Woolridge aware that Duke Energy Kentucky has no preferred equity? Please state whether this causes you to change his recommended capital structure, and explain the basis for your answer.

c. To Dr. Woolridge's knowledge do any short-term debt ratios for the Group A companies in Exhibit_(JRW-3) include amounts related to facilities for accounts receivable that these companies may employ?

d. To Dr. Woolridge's knowledge have capital leases been included or excluded from the debt ratios for each of the Group A companies in Exhibit_(JRW-3)?

e. Please indicate which of the Group A companies listed on Exhibit_(JRW-3) are holding companies and which companies are single-state fully regulated utilities with one service territory.

101. In Dr. Woolridge's opinion, should the Commission establish customer rates based on the capital structure at the holding company level, the operating company level, or on some other basis?

102. Referring to Exhibits_(JRW-4) and (JRW-3):

   a. Please provide a reconciliation between the 43.6% common equity ratio for Proxy Group A on Exhibit_(JRW-3) and any of the quarterly ratios reflected on Exhibit_(JRW-4); and

   b. Regarding Exhibit_(JRW-4), please provide a detailed explanation of the calculations used to compute the "Average Ratios – Last Four Quarters" shown on Exhibit_(JRW-4) based on the four quarters' information provided on the same exhibit.

103. Regarding Dr. Woolridge's testimony at page 8, line 12, please define the range of common equity ratios that he would conclude are "entirely consistent with the common equity ratio of my proxy Group B."

104. What are the lowest five ROE allowed for an electric utility in 2005 and 2006 that Dr. Woolridge is aware of? Please identify the state and utility that received such order, and the case number and date of order.

Requests for Information Directed to Mr. Ruback

105. Please provide copy of a commission order where the Kentucky Public Service Commission has previously approved the method to allocate the fixed costs associated with the production and transmission of electric energy as proposed by Mr. Ruback for this proceeding.

106. Please provide copy of other state jurisdiction commission orders where the State utility commission has previously approved Mr. Ruback's proposed fixed costs allocation method for production and transmission plant.

107. Mr. Ruback uses the term capitalized energy in his testimony as being the significant extra investment utilities make for non-peaking generating facilities. Please define what is meant by "significant extra investment." Please identify the significant number of extra megawatts and the associated amount of significant extra dollars of investment associated with the Duke Energy Kentucky production and transmission facilities.

108. Please explain how capitalized demand related production and transmission fixed costs differ from capitalized energy fixed costs.

109. Please provide, in electronic format excel spreadsheets with the formulas intact, the work papers that support the development of allocation factor used to allocate *capitalized demand* related production and transmission costs. If such an effort was not undertaken, please explain why not.

110. Please provide, in electronic format excel spreadsheets with the formulas intact, copies of Exhibits SWR-2 and 3 and the work papers used to support the information reported on these exhibits.

111. Please provide, in electronic format excel spreadsheets with the formulas intact, a copy of the entire class Cost of Service Study ("COSS") , allocation factors and supporting work papers utilized by Mr. Ruback's to support the information reported on Exhibits 6, 7, 8 and 9. Please identify all adjustments made to this study that are not reflected in company's FR 10(9)v-1. If a COSS was not prepared, please provide all supporting schedules that do support Exhibits 6, 7, 8 and 9.

112. The January 1992 NARUC Cost Allocation manual provides a sample calculation of the 12 CP and Average demand allocation method for production plant, please explain why this method for calculation was not used by Mr. Ruback?

113. Please provide an explanation and goals of the method Mr. Ruback used to allocate the proposed increase requested by the company?

114. Please provide, in electronic format the excel spreadsheet with the formulas intact, a schedule that provides the calculation of Mr. Ruback's proposed revenue distribution of the increase for all rate groups in a format that was proposed by the Company.

115. Please explain how the Company's proposed method to distribute the requested increase is not a good example of utilizing the principles of equity, fairness and gradualism for all classes of rate payers?

116. Please explain why the Company's proposed method to distribute the requested increase should not be used if the proposed increase is less than 100% of the amount requested?

117. If the Company should receive less than 100% of the requested increase, should the company request the commission to order an increase in the percentage proposed to reduce the current revenue subsidy/excess positions? Please provide explanation to response.

118. Mr. Ruback's indicates that his demand allocation method for allocating production and transmission plant provides a better reflection of system utilization by factoring in the annual system load factor into method. In the interest of

fairness and equity to all rate classes why did Mr. Ruback not use each rate group's annual system load factor into his method?

DUKE ENERGY KENTUCKY

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CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Duke Energy Kentucky's Requests for Information to the Attorney General has been served by e-mail and overnight mail, postage prepaid, to the following parties on this 26th day of September, 2006:

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