

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA	)	
GAS OF KENTUCKY, INC. FOR AN	)	
ADJUSTMENT OF RATES; APPROVAL OF	)	CASE NO.
DEPRECIATION STUDY; APPROVAL OF	)	2021-00183
TARIFF REVISIONS; ISSUANCE OF A	)	
CERTIFICATE OF PUBLIC CONVENIENCE	)	
AND NECESSITY; AND OTHER RELIEF	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY, BY  
AND THROUGH THE OFFICE OF RATE INTERVENTION

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested is due on October 13, 2021. The Commission directs Attorney General to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Attorney General shall make timely amendment to any prior response if Attorney General obtains information that indicates the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Attorney General fails or refuses to furnish all or part of the requested information, Attorney General shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Attorney General shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Richard Baudino (Baudino Testimony), generally.
  - a. Provide Exhibits RAB-2-6 in Excel format with all formula, columns, and rows unprotected and fully accessible.
  - b. For each of the return on equity (ROE) methods employed, provide a separate discussion of the assumptions required and why each assumption can

reasonably be assumed. If assumptions cannot be reasonably assumed, explain why not.

2. Refer to the Baudino Testimony, page 11, Table 1. Provide an update with the most recent data available.

3. Refer to the Baudino Testimony, page 12, Figure 2. Provide an update with the most recent data available.

4. Refer to the Baudino Testimony, page 18 lines 10–15.

a. Explain whether a proxy group of seven regulated gas distribution utilities represents a large enough representative sample on which to derive statistically significant ROE estimates.

b. In addition to using gas utilities, explain whether using water utilities as additional proxy companies would be appropriate in the DCF and CAPM analyses, and if not, why not.

5. Refer to the Baudino Testimony, page 18 lines 18–20. Explain why six months is the most reasonable period over which to estimate dividend yields.

6. Refer to the Baudino Testimony, pages 26 lines 19–22 and 27 lines 1–5. Explain why the “historical risk premium of stock returns over the long term government bond returns has been significantly influenced upward by substantial growth in the P/E ratio” is important and why Duff and Phelps subtracted the P/E ratio for stocks from the historical risk premium.

7. Refer to the Baudino Testimony, page 26 lines 13–18 and to page 27 lines 7–15. Explain the reasoning for using 20-year Treasury bonds to determine the historical MRP, when 30-year Treasury bonds were used as the risk free rate.

8. Refer to the Baudino Testimony, page 27, lines 12–15. Provide a greater explanation of Duff and Phelps’ “normalized” risk free rate, and how it incorporates expected inflation.

9. Refer to the Baudino Testimony, page 30, lines 16–17. Mr. Baudino recommended that the actual debt cost rate of the June 2021 issuance also be applied to the forecasted long-term debt issuances. Explain whether Mr. Baudino believes a long-term debt rate closer to the timing of the final Order in this proceeding is an appropriate proxy for the forecasted long-term debt rate.

10. Refer to the Baudino Testimony, page 31, lines 8–19 and Exhibit RAB-7. Exhibit RAB-7 illustrates that except for 2019, the balance of short-term debt since 2015 has been steadily increasing. Explain whether Mr. Baudino’s proposed 4.00 percent short debt rate adequately captures this trend.

11. Refer to the Baudino Testimony, Exhibit RAB-3 page 1 of 2. Comparing the projected EPS growth rates of Value Line, Zacks and Yahoo! Finance, several are similar and others are very different, e.g. New Jersey Resources, South Jersey Industries, and Spire Inc. Explain the factors (if known) in Value Line’s EPS analyses versus other analysts’ projections that would lead to such divergent results for select companies only.

12. Refer to the Baudino Testimony, Exhibit RAB-5. Provide an explanation for the column “Adjusted Arithmetic Mean”.

13. Refer to the Direct Testimony of David Dittmore (Dittmore Testimony) at 13–26 and Schedule DND 2.8, O&M Adjustment.

a. Provide a detailed explanation as to why the Attorney General used a three-year Average Cost per Customer (2016–2018) excluding the O&M Costs per

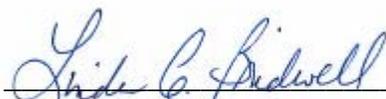
Customer for years 2019 and 2020 from the calculation of the Average Cost per Customer.

b. Provide a revised Schedule DND 2.8 in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible calculating the Attorney General's proposed O&M adjustment using the five-year Average Cost per Customer for 2016-2020.

c. Explain why the Gross Domestic Product – Implicit Price Deflator for year 2017 of 9.94 percent is the appropriate factor to increase the three-year average (2016-2018) NCSC costs to the 2022 levels.

d. Provide the Gross Domestic Product – Implicit Price Deflator for each year in the period five year period 2016-2020.

e. Identify the appropriate Gross Domestic Product – Implicit Price Deflator that should be used to increase the five-year average (2016-2020) NCSC costs to the 2022 levels.



Linda C. Bridwell, PE  
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DATED SEP 27 2021

cc: Parties of Record

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