

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO ATTORNEY GENERAL

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 1, 2021. The Commission directs the Attorney General to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ 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 preparer or the person supervising the preparation of the response on behalf of the entity

¹ 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).

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

The Attorney General shall make timely amendment to any prior response if the 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 the Attorney General fails or refuses to furnish all or part of the requested information, the 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, the 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 Lane Kollen (Kollen Testimony), pages 4–5. Mr. Kollen questions Duke Energy Kentucky, Inc.'s (Duke Kentucky) assumptions and consistency with historical revenues and expenses. Other than the examples given with the capital structure components, provide other examples where Mr. Kollen believes the assumptions are unreasonable and inconsistent with historical patterns.

2. Refer to the Kollen Testimony, page 34. Provide support for Mr. Kollen's assertion that Duke Kentucky's \$50 million increase in common equity in September 2021 will be used to reduce money pool borrowings.

3. Refer to the Direct Testimony of Richard A. Baudino (Baudino Testimony), in general.

a. Provide Exhibits RAB-2-6 in Excel spreadsheet format with all formulas, 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.

4. Refer to the Baudino Testimony, page 16, line 2–4. Explain why the capital asset pricing model (CAPM) analysis produces less reliable estimates of ROE.

5. Refer to the Baudino Testimony, page 18, lines 1–6.

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.

6. Refer to the Baudino Testimony, page 18, lines 9–11. Explain why six months would be the most reasonable period over which to estimate dividend yields.

7. Refer to the Baudino Testimony, page 18, lines 16–20. 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 out the P/E ratio for stocks from the historical risk premium.

8. Refer to the Baudino Testimony, page 26, lines 8–13, and page 27, lines 3–7. Explain the reasoning for using 20-year Treasury bonds to determine the historical market risk premium, but 30-year Treasury bonds were used as the risk free rate.

9. Refer to the Baudino testimony, page 27, lines 9–12. Provide the Duff and Phelps methodology for obtaining its normalized risk free rate.

10. Refer to the Baudino Testimony, Exhibit RAB-5, page 1. Provide an explanation for the column “Adjusted Arithmetic Mean.”



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DATED SEP 16 2021

cc: Parties of Record

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