COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF COLUMBIA GAS OF KENTUCKY	))	CASE NO. 9554

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc., ("Columbia") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by August 5, 1986, or within 2 weeks after the date of this Order, whichever is later. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested

information nor a motion for an extension of time is filed by the stated date, the case may be dismissed.

Information Request No. 2

1. In Case No. 9003, the Commission reduced the 12-month average balance of prepaid nominated gas by $2,399,482 for the amounts identifiable in cost-free accounts payable. There is a 71.34 percent coefficient of correlation between the 12 monthly prepaid nominated gas balances and the 12 monthly balances in accounts payable to associated companies, Account No. 234-1 for each month of the test period. Please provide a breakdown of Account No. 234-1. The breakdown should include the purpose for incurring the liability, the dollar amount of the liability, and the interest rate of the liability. If the liability bears an interest rate, please provide a copy of the sales agreement or other documentation which stipulates the interest rate.

2. For the Toyota construction proposed, please provide Columbia's best estimate of annual sales volumes for the first 5 years of sales to Toyota.

3. According to Exhibit 5, sheet 7, of the cost data (white tabs), Account No. 282 is stated as totaling $1,329,012, of which $1,228,833 is federal taxes and $100,179 is state taxes. According to the 1985 FERC Form 2 on file with the Commission, Account No. 282 totals $1,481,053 which is comprised of $1,361,026 federal taxes and $120,027 in state taxes. Please provide reconciling amounts between Account No. 282 as represented in Exhibit 5 and Account No. 282 as represented FERC Form 2. Please also provide a narrative why these amounts are excluded from Exhibit 5.

4. According to Exhibit 5, sheet 8, Account No. 283 is represented as having a credit balance of $2,340,903 which is comprised of $2,313,526 in federal taxes and $27,377 in state taxes. According to the 1985 FERC Form 2, Account No. 283 has a credit balance of $9,144,389 which is comprised of $8,247,870 in federal taxes and $896,519 in state taxes. Please provide reconciling amounts between Account No. 283 as represented in Exhibit 5 and Account No. 283 as represented in FERC Form 2. Please also provide a narrative why these amounts are excluded from Exhibit 5.

5. In Case No. 9003, the Commission disallowed inclusion in Columbia's rate base $4,792 of net acquisition adjustment. Please provide the gross amount of the acquisition adjustment and the gross accumulated amortization of the acquisition adjustment included in Columbia's rate base.

6. A review of Columbia's response to Item No. 16 of the Commission's first information request indicates that the $326,915 adjustment to annualize payroll expense and the $458,034 adjustment for future wage increases do not reflect any allowance for seasonal employees or normal employee turnover. Please provide Columbia's best estimation of the level of annualized labor expense which reflects typical employee turnover. Please also provide for each pay period during the test year the number of personnel actually employed extended by the test-period year-end wage rate in a comparable format to the response to Item No. 16 of the Commission's first information request.

7. In a review of Columbia's response to Item No. 43 of the Commission's first information request, it appears that the current union contract expires the first day of December 1986, yet according to Columbia's response to Item No. 16 of the Commission's first information request, Columbia is seeking cost recovery of $458,034 for anticipated wage increases beginning December 1, 1986. On what basis does Columbia expect the $458,034 wage increase and how does that basis meet known and measurable criteria?

8. Please provide, for all employee benefits whose costs are determined as a function of employee compensation, the following:

a. The percentage cost of the benefit to compensation for the test period and the proposed level of benefits.

b. A description of the benefit.

c. A description of and sample calculation of how to determine the aggregate cost of the benefit.

9. According to Columbia's response to Item No. 16 of the Commission's first information request, Columbia has determined its normalized amount of ordinary uncollectible accounts expense based on a 5-year average of net charge-offs less the Johnson County Gas Company ("Johnson County") write-off in 1984. Why has Columbia chosen a 5-year period? Why has Columbia chosen an average of the absolute amount of net charge-offs rather than an average of the percentage of net charge-offs to gross revenue?

10. According to Columbia's response to Item No. 16 of the Commission's first information request, Columbia is seeking cost

recovery over a 3-year amortization period of $348,401 past-due from Johnson County and $163,298 past-due from Martin Gas Company. Since both gas companies are in receivership, are currently operating, and are currently receiving gas supplies from Columbia, why does Columbia believe that the arrearages of these gas companies are completely uncollectible?

11. According to Columbia's response to Item No. 16 of the Commission's first information request, Columbia has determined a 5-year average of expenses in defense and the cost of settlement of injuries and damages not co' by Columbia's insurance. The method of calculating the proposed adjustment of $80,255 to injuries and damages, Account No. 925, may inherently assume that the credit posting of $63,598 was abnormal. Please provide a breakdowwn of Account No. 925 for the 5-year period of 1981 through 1985. The breakdown should include for each year a division between the actual cost of insurance and those expenses not covered by insurance.

12. According to Exhibit 3, Sheet 2 of Columbia's Cost Data (white tabs), Columbia is depreciating mains over a 33-year useful life. According to same exhibit and sheet, Columbia is depreciating services over a 20-year useful life. Has Columbia conducted a depreciation study of the useful lives of mains and services? If so, please provide a copy of the study. If not, what reasoning resulted in the choice of the respective useful lives for mains and services?

13. Are the 5 percent depreciation rate for services and the 3 percent depreciation rate for mains composit rates? If so, how were they determined?

14. Please provide a breakdown of Main, Account No. 376. This breakdown should include the vintage, whether the main is plastic, coated steel, or bare pipe, the dollar amount and the book depreciation rate.

15. Please provide a breakdown of Services, Account No. 380. This breakdown should include the vintage, whether the pipe is plastic, coated steel, or bare pipe, the dollar amount and the book depreciation rate.

16. According to Exhibit 2, Sheet 8, of the Cost Data (white tabs), Columbia has proposed an adjustment of $323,600 annually to Outside Services Employed, Account No. 923, for the 1986 Commission Management Audit. Does Columbia expect that the $323,600 audit expense is an ongoing recurring cost-of-service? If so, why? If not, what does Columbia believe to be a reasonable amortization period to recover this cost?

17. In Case No. 9003, the Commission disallowed subtraction of unamortized JDC from rate base to determine synchronized interest expense. According to Exhibit 6, Sheet 3, Footnote 1 of the Cost Data (white tabs), Columbia has calculated synchronized interest expense by subtracting unamortized JDC from rate base. What objections, if any, does Columbia have against calculating synchronized interest expense without subtracting unamortized JDC from rate base?

18. According to Exhibit 6, Sheet 3, Columbia had certain nominal expenses in 1985 which may not be allowable for rate-making purposes. Please provide the account description and the account number where the following expenses were posted during the test period:

a. Country Club dues of $5,199.

b. Political action expense of $1,827.

c. State tax return penalty of $22,372.

19. Provide a schedule of Columbia's outstanding short-term debt for the test year ended December 31, 1985. This schedule should show the amount outstanding, the effective interest rate and the annualized interest expense for each note.

20. On May 21, 1986, the Commission received a letter, dated May 16, 1986, from Mr. D. H. Garey of Columbia regarding the refinancing of certain debentures. What is the current status of this refinancing activity?

21. In Case No. 9471, The Application of Columbia Gas of Kentucky, Inc., For Authority For The Issuance and Sale of Promissory Notes, Columbia was instructed to file a statement, when the information was available, advising the Commission of the interest rate of the promissory notes. What is the status of this financing case?

22. Provide the workpapers used to prepare Schedule 10, page 1 of 2, of Mr. O'Donnell's prefiled testimony.

23. In your Notice Requirement No. 1E, sheet 1 of 3, line 18, flex adjustment of $1,319,006, furnish the following information for each customer:

a. Name of customer and applicable flex tariff (DS or AFDS-2).

b. Rate per Mcf and quantity of gas transported for each flex rate under DS tariff.

c. Point of origin of gas transported.

d. Tariff rate, flex rate and quantity of gas supplied under AFDS-2 tariff.

24. Furnish copies of all workpapers and explanations for the proposed flex adjustment of $897,861 in Notice Requirement No. 1E, sheet 1 of 3.

25. Explain the steps in your response to the Commission's first information request of April 24, 1986, about the weather normalization adjustment in Item No. 16, which references Exhibit 9. Also define DDD (Design Degree Days).

26. Explain the basis for reducing the DS tariff transportation charge to 50 cents per Mcf with flex capabilities from the current charge of 80 cents per Mcf with flex capabilities.

27. Explain how Columbia Gas Transmission Company determines the demand charge that is billed to you.

28. Provide the dates, number of customers, duration and times of days of actual curtailment of natural gas service to interruptible customers during the test period.

29. Provide a list of interruptible customers showing the firm, interruptible and total purchases of gas during the test period; also, state the month and amount of the lowest and highest purchase during the test period.

30. Mr. Bowman's testimony discusses the changing marketplace that gas distribution companies now face, however no specific mention is made of the threat of bypass in Columbia's current service area. Has Columbia identified customers that are potential bypassers? Are there other specific aspects of a more competitive marketplace that concern Columbia? Are there interstate pipelines that have approached existing customers of Columbia?

31. What are the reasons for rejecting the rate design options identified on pages 4 and 5 of Mr. Burchett's testimony?

32. Identify proposals that Columbia has made in this case to move toward unbundling of services. (Mr. Burchett.)

33. How did Columbia determine that the transportation rate should not exceed 50 cents/Mcf?

34. Rate Schedule DS states that Columbia may transport gas at a transportation rate lower than 50 cents per Mcf where the customer has demonstrated that his only alternative would be to shut down, relocate or forego an expansion of facilities. How will Columbia establish that these conditions exist? (Burchett testimony.)

35. What is the basis for the 10 cents included in determining the floor charge for the Alternate Fuel Displacement Service? (Burchett testimony, Schedule E, Sheet 1.)

36. What characteristics made the cost allocation method chosen superior to those mentioned on page 8 of Mr. Payne's testimony?

37. How were the results of the cost allocation study used by Columbia in evaluating rate design options?

38. Provide a copy of all workpapers used in preparing the cost allocation study. Identify any assumptions that were used in developing the cost allocation factors, and those used in allocating costs among customer classes. Provide a detailed rationale for these assumptions. Include for each account the allocation method used, other methods considered, and why the method chosen was used.

Done at Frankfort, Kentucky, this 23rd day of July, 1986.

PUBLIC SERVICE COMMISSION

Richard D. Heman Jr.
For the Commission

ATTEST:

Executive Director