COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF THE RATES OF COLUMBIA GAS OF KENTUCKY, INC. ON AND AFTER JULY 1, 1994	)))	CASE NO. 94-179

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 10 copies of the following information with this Commission, with a copy to all parties of record. 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 ensure that it is legible. Where information requested herein has been previously provided in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than August 29, 1994. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. Each response should include complete details of any items which are allocated among Columbia and other affiliates.

1. Refer to Columbia's response to the Attorney General's ("AG") Set 1 Data Request, Item 3 and provide and justify the percentage of Administrative and General ("A&G") expenses capitalized for each year 1989 through 1993.

2. Refer to Columbia's response to the AG's Set 1 Data Request, Item 8.

a. Justify the anticipated 10 percent increase in 1995 employee benefits and payroll taxes.

b. Provide a breakdown of service company employee benefits included in the 1994 Service Company ("SC") billing budget.

3. Refer to Columbia's response to the AG's Set 1 Data Request, Item 8.

a. Provide a breakdown of the total advertising billed to Columbia by SC into conservation, safety, promotional, informational, instructional, and other. State whether any of these costs have been removed in the determination of the forecasted revenue requirements.

b. Provide a breakdown of the total amount of rate case expense billed to Columbia by SC. State why these expenses should not be included in Columbia's other rate case expenses and amortized.

4. Refer to Columbia's 1994 Comparison of Budget to Actual SC billing provided in response to the AG's Set 1, Item 8. Provide the total dollars of SC billing for which no cost element description is given. Provide the descriptions if available.

5. Refer to Columbia's response to the AG's Set 1 Data Request, Item 9.

a. Explain of the rate refunds of $4,659,695 for 1993.

b. Describe how Columbia has treated the refunds for rate-making purposes.

c. Provide the journal entries made to record the rate refund.

6. Refer to Columbia's response to the AG's Set 1 Data Request, Item 12. Justify the CS aircraft expense of $55,125 and provide the level of aircraft expense incurred by Columbia for the years 1989 through 1993. Explain why this expense should be passed on to ratepayers.

7. Refer to Columbia's response to the AG's Set 1 Data Request, Item 21, page 1 of Attachment A. Identify any productivity savings Columbia has experienced as a result of the Work Management System, the Columbia Gas of Ohio Management Audit, or other specific productivity enhancement program as discussed in subpart B.

8. Refer to Page 9 of the 1994-1995 Gross Payroll/Net Labor Budget Instructions Columbia filed in response to the AG's Set 1 Data Request, Item 21. Justify the 5 percent increase budgeted for 1994 and 1995 system management, print and EDP services.

9. Refer to Columbia's response to the AG's Set 1 Data Request, Item 27. Explain why the increase for company memberships is 8.2 percent instead of 2.6 percent.

10. Refer to Columbia's response to the AG's Set 1 Data Request, Item 43. What was the total cost of the 1993 Customer Relationship Assessment? What was the cost to Columbia and how was this cost determined? What benefits have Columbia's ratepayers derived from this assessment?

11. Refer to Columbia's response to the AG's Set 1 Data Request, Item 52.

a. Provide the schedule shown in Item 52 for the base year and the forecasted year.

b. State why costs of a promotional, institutional, or informational nature should not be excluded.

12. Refer to Columbia's response to the AG's Set 1 Data Request, Item 60. Explain why employee expenses are increasing 65 percent over the period 1992 through 1995 while the number of employees has remained relatively constant.

13. Refer to Columbia's response to the AG's Set 1 Data Request, Item 72. Provide the same breakdown for the base year and forecasted year accumulated deferred income taxes.

14. Refer to Columbia's response to the AG's Set 1 Data Request, Item 77. Explain the adjustment to policy years 1980 through 1990 of $39,996 and state whether this adjustment is non-recurring.

15. Refer to Columbia's response to the AG's Set 1 Data Request, Item 82. Did Columbia solicit bids for the maintenance? Who will be performing the maintenance?

16. Refer to Columbia's response to the AG's Set 1 Data Request, Item 83, which reflects maintenance expenses. Has Columbia removed these costs in its determination of revenue requirements?

17. Refer to Columbia's response to the AG's Set 1 Data Request, Item 142. Has Senior Management formally approved the Project Customer program? If yes, provide the yearly anticipated cost savings.

18. Refer to Columbia's response to the AG's Set 1 Data Request, Item 144. Provide a breakdown of Project Customer costs of $246,874.

19. Refer to Columbia's response to the AG's Set 1 Data Request, Item 152.

a. Was Columbia's Research and Development ("R&D") 1993 expense $80,457 and budgeted to be $110,250 in 1994? If not, explain.

b. Provide actual 1994 R&D expense incurred to date.

20. Refer to Columbia's response to the AG's Set 1 Data Request, Item 151. Reconcile the base year and forecasted year rental and lease expense to Schedule D-2.2, sheet 1 of 3, Adjustment 4.

21. Refer to Columbia's response to the AG's Set 1 Data Request, Item 182.

a. What is the total cost of each of the software projects incurred for the base period and the forecasted period?

b. State why these amounts should not be considered non-recurring for rate-making purposes. Explain whether this is an ongoing level of expense.

22. Referring to Columbia's responses to the AG's Set 1 Data Request, Item 272 and Item 32 of the Commission's July 20, 1994 Order, reconcile the $127,370 of outside legal services in Item 272 with the $171,233 of outside legal services in Item 32.

23. Refer to Columbia's response to the AG's Set 1 Data Request, Item 272. Describe "special programs" Columbia refers to in Subpart E and explain whether these programs should be considered recurring expenses.

24. Refer to Schedule D-2.2, page 1 of 3. Itemize base year and forecasted year corporate insurance expense into its component parts. Provide historic corporate insurance expense for the two years ended December 31, 1993 and for year to date 1994.

25. Refer to Schedule D-2.2, page 2 of 3. Itemize base year and forecasted year utilities/fuel expense into component parts. Also provide historic utilities/fuel expense for the two years ended December 31, 1993 and for year to date 1994.

26. Refer to Columbia's response to Items 1(a) and 1(c) and 4(a) and 4(c) of the Commission's July 20, 1994 Order. Explain why cleanup costs are being run through the reserve account instead of being expensed as incurred.

27. Refer to R.M. Smith's Testimony. State how much expense is included in the base year and the forecasted year for the recovery of environmental compliance costs related to the two sites

referred to on page 5 of the testimony. State whether cleanup costs associated with the two sites will be an ongoing expense and if so for how long and for how much.

28. Refer to Columbia's response to Items 1(b) and 4(b) of the Commission's July 20, 1994 Order.

a. Is it normal practice not to match accumulated depreciation at the subaccount level?

b. Provide workpapers matching subaccounts, 387.41, 387.42, 387.44, and 387.46 to accumulated depreciation.

29. Refer to Columbia's response to Item 6 of the Commission's July 20, 1994 Order. Provide a breakdown of the costs included in the purchased gas expense and liquified petroleum gas expense which have been included in the computation of base year and forecasted year cash working capital. Are any of these amounts eligible for inclusion in Columbia's gas cost recovery mechanism?

30. Refer to Columbia's response to Item 16 of the Commission's July 20, 1994 Order. Why did the amount allocated to Columbia for the annual audit increase 73 percent from 1992 to 1993?

31. Refer to Columbia's response to Item 21 of the Commission's July 20, 1994 Order. Provide the following for Transfers going out and Transfers coming in for the base period and the forecasted period:

a. Number of Hours.

b. Value of Hours.

c. For (a) and (b) above, designate which hours are capitalized and which are expensed.

32. Refer to Columbia's response to Item 23 of the Commission's July 20, 1994 Order. Provide a breakdown of the differences in "total plant expenses" for both the base period and the forecasted period in the detail provided in Schedule I. Include all workpapers.

33. Refer to Columbia's response to Item 9 of the Commission's June 7, 1994 Order. Update the reconciliation of the Statement of Net Income for the most recent actual 12-month period.

34. Refer to Columbia's response to Item 25 of the Commission's July 20, 1994 Order.

a. Show how the elimination of Project Nos. 7403 and 7419 will affect the forecasted rate base and revenue requirements.

b. Identify for the forecasted year all capital expenditures for construction projects that are in the pre-construction stages.

35. Refer to Columbia's response to Item 32 of the Commission's July 20, 1994 Order.

a. Provide the yearly total cost of this project since its inception through the forecasted test period.

b. Provide an explanation of whether the Automated Mapping/Facilities Management ("AM/FM") is an on-going expense.

36. Refer to Columbia's response to Item 36 of the Commission's July 20, 1994 Order. The 1989 Specific budget row

does not add up. Is it correct to assume that the original budget amount for Specific should be $2,635?

37. Explain why Columbia's forecasted construction budget would be any more accurate than the past 5 year trend. Explain why the forecast should not be adjusted to reflect these past historical trends.

38. Refer to Columbia's response to Item 10 of the Commission's June 7, 1994 Order and Item 36 of the Commission's July 20, 1994 Order:

a. For the period of 1989 through 1993, the ratios of actual to budgeted capital construction expenditures ("slippage factor") are: 100 percent for Blanket; 29 percent for Specific (excluding acquisition of Inland Gas System); and 91 percent for Carryover (excluding purchase of land for Lexington office). Recalculate Columbia's forecasted revenue requirement, rate base and cost of service as follows:

(1) Multiply all Blanket expenditures for each month beginning March 1994 through the end of the forecasted period by 100 percent.

(2) Multiply all Specific expenditures for each month beginning March 1994 through the end of the forecasted period by 29 percent.

(3) Multiply all Carryover expenditures for each month beginning March 1994 through the end of the forecasted period by 91 percent.

(4) Provide workpapers and calculations that show the impact of each element on rate base and cost of service.

b. Provide the information required in (a) excluding budget projects 7403 and 7419 and capital expenditures incurred for the preliminary construction projects identified in response to Item 24(b).

39. Refer to Columbia's response to Item 42 of the Commission's July 20, 1994 Order. Provide detailed payroll tax workpapers by quarter for each yearly amount shown using the format in Item 15 of the Commission's June 7, 1994 Order. Explain each column and its calculation methodology.

40. Refer to Columbia's response to Item 44 of the Commission's July 20, 1994 Order. Provide explanations and workpapers for increases from the base year and since 1989 for the following:

a. Medical insurance, excluding incremental expense and amortization expense.

b. Dental insurance.

c. Life insurance.

41. Refer to Columbia's response to Item 45 of the Commission's July 20, 1994 Order. Provide the savings associated with the Work Management System for the years 1993 and 1994.

42. Refer to Columbia's response to Item 161 of the AG's July 18, 1994 data request. Savings associated with the Work Management System are to "mature" over a 5 year period. In light

of this, should the forecasted test period reflect "mature" savings associated with incurred costs?

43. Refer to Columbia's response to Item 46 of the Commission's July 20, 1994 Order. Has Columbia excluded from its forecasted year revenue requirements projected savings from the implementation of the Work Management System?

44. For each item for which an escalation factor was used to determine forecasted year revenue requirements, provide workpapers that reflect the impact of the factor.

45. Provide a detailed analysis of Columbia's lobbying expenses for the last 5 years, the base year (year-to-date actual) and budgeted for the forecasted period. For any item allocated to or from Columbia from or to an affiliate, justify the allocation and include the affiliates' total lobbying expenses and the basis for the allocation percentages used.

46. Explain the total cost of the regulatory affairs department in Frankfort, Kentucky, and the accounts to which the costs are charged. How does Columbia determine the amounts allocated to lobbying expense?

47. List all Columbia and SC employees who engage in any form of lobbying. Provide the total payroll of these employees and the cost allocated to lobbying expense. Explain the basis for the allocation.

48. For every pro forma adjustment listed on Schedules E-1.1 through E-1.4 of the application, either cross-reference the location in Columbia's filing that shows the calculation of the

amount or provide the calculations and all supporting workpapers to support the amounts shown.

49. Refer to Columbia's response to Item 72 of the AG's Set 1 Data Request.

a. Provide the same information as provided in this schedule for the base year and the forecasted test period.

b. Explain the increase in Interest on FIT Liability-Federal and State and the increase in the deferred debit account.

c. Explain the credit balance in 1992 and the debit balance in 1993 for Capitalization of Direct and Avoided Cost Interest.

50. Refer to Columbia's response to Item 73 of the AG's Set 1 Data Request.

a. With reference to the Section 461(h) - Rate Refunds:

(1) Provide and explain the journal entries made when Columbia receives a supplier refund and when it actually pays the refund to customers. Include the resulting deferred tax impact.

(2) Explain the basis for excluding deferred income taxes in the rate base calculation.

b. With reference to Salary Continuation, explain "Economic Performance requirements" and the basis for its use in the determination of the deferral.

c. With reference to Contributions in Aid of Construction ("CIAC") and Customer Advances, provide more detailed information than is provided in this response and in the testimony of A. J. Rifflard. Include sample journal entries made to record CIAC and any resulting deferred taxes.

d. Explain the difference in the rate-making treatment of deferred taxes associated with the Capitalization of Inventory Cost and the Capitalization of Direct and Avoided Cost Interest.

e. Are any builder incentive plan costs included in the cost of service or rate base in the base year or the forecasted period? If yes, provide the amounts and the accounts in which they are recorded.

f. With reference to Deferred Intercompany Gains and Capitalized Inventory Tax Savings, explain why they are not included as deductions from rate base. Include with this response the journal entries made to record these events.

g. With reference to the deferred taxes associated with Winter Service, explain why Columbia's ratepayers should not benefit from the consolidation for federal tax purposes.

h. With reference to the Retirement Income Plan Adjustment, explain the basis for not including prepaid pension expenses in the rate base calculations.

i. With reference to the Distributive Information System Adjustment explain what is meant by the statement, "As the books amortize said costs to expense, taxable income is correspondingly increased." Why should this deferral be excluded from the rate base determination?

j. Regarding the deferred taxes associated with Capitalized Interest During Construction, provide a more detailed explanation of the interest and the manner in which Columbia accounts for interest associated with plant construction. Include sample journal entries.

k. With regard to the deferred taxes associated with Allowance for Funds Used and Interest During Construction, provide a more detailed explanation of the book and tax accounting treatment. Include sample journal entries.

51. Refer to the response to Item 30 of the Commission's July 20, 1994 Order. Explain why the 1992 other post-retirement employee benefits "OPEB" allocation from Columbia of Ohio ($1,610,025) exceeds by $1,374,381 the projected 1995 amount of $235,644 (page 10 of Phelps' testimony).

52. Refer to the response to Item 102 of the Commission's July 20, 1994 Order.

a. Provide the journal entries made to adopt Statements of Financial Accounting Standards "SFAS" 96 and 109.

b. Provide a schedule of activity for Acct. 253-32 from the date of adoption of SFAS 96 through the forecasted test year. Explain all journal entries.

c. Why is this "regulatory liability" not included as a reduction to rate base?

d. Columbia states that the balance in Acct. 253-32 is a credit balance. However the response to the AG's Set I indicates a debit balance. Explain this discrepancy.

e. Provide the 13 month average for Acct. 253-32.

53. Refer to the response to Item 104 of the Commission's July 20, 1994 Order.

a. Explain why the test year OPEB expense is not 100 percent deductible for tax purposes.

b. Update the schedule in response to question (d). for the years 2006 to 2015. Provide the supporting documentation for the entire schedule.

54. Refer to the response to Item 106 of the Commission's July 20, 1994 Order.

a. Explain why this schedule shows the only SFAS 112 expense for 1994 and 1995 to be the pay-as-you-go amounts of $55,300 and $46,500, respectively.

b. Since there is no additional accrual for SFAS 112 and future pay-as-you-go amounts are used to reduce the January 1, 1994 liability, explain why the Commission should allow amortization of both the SFAS 112 liability and the pay-as-you-go amount.

55. Refer to the response to Item 107 of the Commission's July 20, 1994 Order. Explain why the $7,401,058 does not represent the transition obligation at January 1, 1993 and, if it does not, provide the amount of the transition obligation at January 1, 1993 (with and without housekeeping costs).

56. Refer to the response to Item 110 of the Commission's July 20, 1994 Order. Columbia states that it "has had no opportunity to recover from its customers" the SFAS 106 costs that have accrued over the 2 years that have elapsed since the adoption

date. What circumstances would require the Commission to depart from its decision in Case No. 92-452[1] in which Kentucky-American Water Company was denied recovery of the amount of SFAS 106 costs deferred by the company from the date of adoption to the date of the rate case test period?

57. Refer to the response to Item 111 of the Commission's July 20, 1994 Order. Why was the capitalization percentage not applied to the 1995 pay-as-you-go amount?

58. The response to Item 73, page 3, of the AG's Set I Data Request states that the SFAS 112 costs were expensed in December 1992. However page 16 of Phelps' direct testimony states that a regulatory asset was established for SFAS 112 costs. Explain this discrepancy.

59. Refer to the response to Item 134 of the AG's Set I Data Request.

a. Identify the "key employees" whose benefits will be paid from general corporate assets and explain why their benefits are treated differently from other employees' benefits.

b. The "Schedule of General Characteristics" shows a column entitled "SFAS #106 Asset Credit." Explain fully the meaning of this column.

60. Refer to the response to Item 51 of the Commission's July 20, 1994 Order.

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[1] Case No. 92-452, Notice of Adjustment of the Rates of Kentucky-American Water Company.

a. The second page of the response is headed Normalized Volumes, Mcf. The footnote references actual and forecast volumes. Are the normalized volumes the amounts identified as actual?

b. Refer to part (b) of Item 51. Provide, for each of the years 1989 through 1993, the actual volumes delivered under the mainline rate.

61. Refer to the response to Item 52 of the Commission's July 20, 1994 Order, which references Appendix B of Attachment JBC-1.

a. Page 1 of Appendix B shows that the volume (11,397 MMCF) for residential sales included in the calendar year 1995 forecasted period is part of a long-term forecast for the years 1993 through 2004. When was this forecast first prepared?

b. By the time Columbia's application was filed, actual 1993 sales volumes had been available for several months. Why was a new forecast not prepared that incorporated 1993 historical sales data?

62. Refer to the responses to Items 56 and 57 of the Commission's July 20, 1994 Order.

a. Two factors discussed in support of the proposed changes in Rate Schedule GS are the rate differential between Schedules GS and IS and the subsidization, within Rate Schedule GS, of residential service by non-residential service. What, if any, consideration has been given to establishing separate commodity rates for residential and non-residential customers either within Rate Schedule GS or in separate rate schedules?

b. What, in Columbia's view, are the advantages and disadvantages of one declining block commodity rate schedule for Rate Schedule GS versus separate commodity rate schedules for residential and non-residential service?

63. Refer to the response to Item 59 of the Commission's July 20, 1994 Order.

a. Part (a) of the response refers to Columbia's responses to AG requests 394 and 395. Where in those responses is the average time of 3/4 hour to process a returned check documented or shown?

b. How many years has Columbia's average time to process a returned check been 3/4 hour?

c. Is the level of work related to returned checks significant enough that any labor costs or employee positions would be eliminated if returned checks were eliminated, or is the level of work such that those labor costs would continue to be incurred but charged or assigned differently?

d. Identify all variable costs incurred by Columbia due to the processing of returned checks.

64. Refer to the response to Item 63 of the Commission's July 20, 1994 Order.

a. Part (b) of the response indicates that the revenues for the forecasted period do not include summer season minimum bill revenues for all customers. Given that Columbia asserts that there will be no seasonal disconnects under its proposal and has included no revenues for seasonal disconnect charges in the forecasted period, explain why revenues for the forecasted period should not include summer season minimum bill revenues for all customers.

b. By what amount would forecasted period revenues increase if they were adjusted to include summer season minimum bill revenues for all customers (i.e., no seasonal disconnects)?

65. Refer to the response to Item 64 of the Commission's July 20, 1994 Order.

a. Part (a) of the response refers to Columbia's response to AG request 64. That response shows actual forfeited discounts for the first 5 months of 1994 of $182,762. Explain the increase over the calendar year 1993 total of $11,954.

b. Columbia's response indicates that the proposed increase in its late payment penalty will act as a deterrent and that forfeited discounts will not increase. With the proposed rate increase <u>and</u> the proposed increase in the late payment penalty, explain why Columbia expects no increase in forfeited discounts to occur.

66. Describe all factors contributing to Columbia's consistently higher gas cost relative to the other Columbia system distribution companies as evidenced by the response to Item 99 of the Commission's July 20, 1994 Order.

67. Describe all efforts Columbia made during the five year period to lower its gas cost.

68. Describe Columbia's current efforts to lower its gas cost.

69. Describe the gas cost review process of each jurisdiction regulating Columbia distribution companies (including New York). Have purchased gas costs of any Columbia companies been disallowed in the last 5 years? If so, supply the details.

70. Are there any incentive mechanisms in place in other jurisdictions regulating Columbia companies which relate to purchased gas cost? If so, supply the details.

71. Which Columbia distribution company or companies have consistently shared similar circumstances with Columbia so that common gas supply arrangements have been made?

72. Using the sample supplied in response to Item 67 of the Commission's July 20, 1994 Order, explain the 2.2 cents per Mcf increase in the Average Demand Cost of Gas.

73. Refer to the response to Item 68 of the Commission's July 20, 1994 Order. Is cost shifting to other classes the only possibility for recovering greater IS costs? Can IS rates be redesigned to collect the costs incurred in serving all IS customers, including hypothetical lower-volume customers? If no, explain.

74. Refer to Exhibit No. CEC-1 of Clyde Clay's testimony. Why are industrial requirements shown as negative volumes for February through May 1995?

75. Refer to Exhibit No. CEC-4 of Clyde Clay's testimony. Do projected peak day total requirements reflect sales to interruptible customers?

76. Why has Columbia not considered assigning firm capacity to IUS customers? What are the benefits and drawbacks of such an assignment to Columbia and to the IUS customers?

77. Provide copies of Orders approving the returns on equity cited in Item 77 of the response to the Commission's Order of July 20, 1994.

78. Explain the term "various" in the Order Date column of the response to the Commission's Order of July 20, 1994. Provide all available dates for these approved returns.

79. Identify the source of the authorized returns quoted in the response to the Commission's Order of July 20, 1994, Item 78. Is this the best information for the most current returns approved for these companies?

80. Does Columbia have rate proceedings pending in other jurisdictions? If so, when were they initiated and what return on equity is proposed?

81. Compare Schedule I, page 1 of 2, with Schedule II, page 1 of 2, of Mr. Moul's testimony. Why is Columbia's cost of long-term debt consistently higher than Columbia Gas distribution companies?

82. Provide average long-term debt capital cost rates for each Columbia distribution company for the years 1989 through 1993, and compare with Columbia's Indicated Average Capital Cost Rates for long-term debt on Schedule I, page 1 of 2 of Mr. Moul's testimony. If Columbia's cost rate is higher than any other Columbia distribution company for any year, explain why.

83. Provide all calculations of the proposed capital structure ratios and embedded cost of long-term debt, showing data for individual Columbia distribution companies.

84. What is the 13-month average of Columbia Gas Distribution Companies' long-term debt interest rate for the 13 months ended December 31, 1995? Supply calculations.

85. For all installment notes issued with interest rates determined quarterly based upon the three-month average yield on "A" rated 25-30 year Utility Bonds, provide the quarterly interest rates to date and associated interest expense.

86. Does Columbia foresee consistently greater use of short-term debt? Explain.

87. Refer to the response to Item 82 of the Commission's July 20, 1994 Order. Relative to the size and individual characteristics of the companies involved, how does Columbia's projected level of construction expenditures compare to those of the barometer group? Does Columbia's projected level of construction expenditures make it a riskier investment than the barometer group?

88. Provide the Consensus Document mentioned in response to the AG Set I Data Request, Item 223.

89. Provide Columbia's "Capacity Release Guidelines."

90. Provide by month the amount of revenue Columbia has realized from capacity release.

91. How does Columbia account for revenues from released capacity? Provide sample journal entries.

92. How are revenues from released capacity reflected in Columbia's GCA filings?

93. If revenues from released capacity are not reflected in Columbia's GCA filings, explain why.

94. Refer to Columbia's response to Item 113 of the Commission's July 20, 1994 Order.

a. Explain in more detail why it is appropriate to use the Gross Domestic Product ("GDP") implicit price deflator as an inflation measure for specific budgetary items.

b. Provide a table and explanation demonstrating that the categories and category weights of the GDP implicit price deflator are analogous to Columbia's budget.

c. For the last five years, show that changes in Columbia's actual expenses track the GDP implicit price deflator.

95. Refer to Columbia's response to Item 114 of the Commission's July 20, 1994 Order. Explain Item 114, Attachment 1, and describe each entry in columns (a)-(c).

96. Refer to Columbia's response to Item 116 of the Commission's July 20, 1994 Order. Identify each variable for each computer run.

97. Refer to Columbia's response to Item 118(a) of the Commission's July 20, 1994 Order. Assuming that a system is constructed to serve peak as well as average demand, explain in detail why equivalent weights are used, while no attempt is made to account for load factors.

98. Refer to Columbia's response to Item 121 of the Commission's July 20, 1994 Order. Why are the two cost-of-service studies given equal weight?

99. Refer to Columbia's response to Item 122 of the Commission's July 20, 1994 Order. Does Columbia attempt to track or estimate customer class noncoincident or coincident peaks? Explain.

100. Refer to Columbia's response to Item 125 of the Commission's July 20, 1994 Order. Schedule M contains base period and forecasted customers and sales volumes. Explain the forecast methodology and all assumptions for all rate classes as they are divided by line item. (For example, GS-RES is divided as min-0.5, 0.6-1.0, 1.1-17.3, etc.)

101. Refer to Columbia's response to Item 126 of the Commission's July 20, 1994 Order. Explain the methodology or process and all assumptions used to derive the forecasted entries. For example, do they represent simple trends or bottoms-up forecasts? Explain the methodology or process and all assumptions.

102. Refer to Columbia's response dated August 1, 1994, to KIUC Set I, Item 1. Explain in detail how the value of service and competition are taken into account when developing rates. To what extent does consideration of value of service and competition cause the resulting rates to deviate from those developed using cost of service principles?

Done at Frankfort, Kentucky, this 15th day of August, 1994.

ATTEST:

Executive Director

PUBLIC SERVICE COMMISSION

For the Commission