

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE IMPACT )	CASE NO.
OF THE TAX CUTS AND JOB ACT ON THE RATES )	2018-00041
OF COLUMBIA GAS OF KENTUCKY, INC. )	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas Of Kentucky, Inc. ("Columbia Gas"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before April 20, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. 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 that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia Gas shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Columbia Gas fails or refuses to furnish all or part of the requested information, it 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 filing a paper containing personal information, Columbia Gas 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 Columbia Gas's responses to the Commission Staff's First Request for Information ("Staff's First Request"), Item 3.a. In its response to Item 3.a., Columbia Gas states, the calculation of return on equity ("ROE") is based on actual unadjusted net income and common equity as shown in Columbia Gas's financial statements and, therefore, includes items that are non-utility in nature and, accordingly, are not included in the determination of revenue requirement for the purposes of developing base rates.

a. Identify each non-utility item that Columbia Gas referenced in its response, the amount of each identified item, and a brief description of each non-utility item.

b. Refer to Columbia Gas's responses to Staff's First Request, Item 1. Using your response to 1.a. above, provide a comparative income statement as requested in the table below.

Account Titles	Unadjusted Calendar Year Ended December 31, 2017	Non-Utility Adjustments	Adjusted Calendar Year Ended December 31, 2017
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c. Refer to Columbia Gas's responses to Staff's First Request, Item 2. Revise Columbia Gas's Capital Structure for the calendar year ending December 31, 2017, to reflect the elimination of the non-utility items Columbia Gas identified in its response to item 1.a. above.

d. Confirm that the elimination of the non-utility items will not affect Columbia Gas's Net Investment Rate Base ("Rate Base") for the calendar year ending December 31, 2017. If this cannot be confirmed, provide an explanation.

e. Recalculate Columbia Gas's ROE (income available to common shareholders divided by common equity) for the calendar year ending December 31, 2017, to reflect the elimination of the non-utility items Columbia Gas identified in its response to item 1.a.

f. Provide a detailed explanation as to why the elimination of the non-utility items would not affect Columbia Gas's short-term or long-term debts.

2. Using the revised Capital Structure provided in the response to Item 1.c. above, the interest rates calculated in the response to Item 3.b. and Item 3.c. of Staff's First Request, and the revised ROE calculated in the response to Item 1.e. above, fill out the table below:

Component of Capitalization	Per Books 12/31/17	Ratios	Actual Rates	Average Weighted Cost
Short-Term Debt				
Long-Term Debt				
Preferred Stock				
Common Equity				
Total Capitalization	\$ -	0.000%		0.0000%

3. Using the average weighted cost of capital calculated in Item 2 above and the table below, calculate the weighted average cost of capital (“WACC”) with a 35 percent FIT rate and WACC with a 21 percent FIT rate.

Component of Capitalization	Average Weighted Cost	Adjusted Weighted Cost of Capital to Reflect 35% Fed. Tax Rate		Adjusted Weighted Cost of Capital to Reflect 21% Fed. Tax Rate	
		Equity Gross-up	Adj. Cost	Equity Gross-up	Adj. Cost
Short-Term Debt			0.00%		0.00%
Long-Term Debt			0.00%		0.00%
Preferred Stock			0.00%		0.00%
Common Equity			0.00%		0.00%
Total Capitalization	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

4. Refer to Columbia Gas’s response to Staff’s First Request, Item 9. This response was nonresponsive. Columbia Gas was requested to use the Rate Base for the calendar year ended December 31, 2017, that was provided in the response to Staff’s First Request, Item 2, and not the Rate Base that was used to calculate the base gas rates in Case No. 2016-00162.<sup>1</sup> Using the Rate Base for the calendar year ended December 31, 2017, Columbia Gas provided in its response to Staff’s First Request, Item 2, the WACC’s calculated in Item 2 of this request, and the table below, provide the

<sup>1</sup> Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 22, 2016).

revenue reduction resulting from the decrease in the FIT rate from 35 percent to 21 percent.

Line No.	Description	35% Federal Income Tax Rate	21% Federal Income Tax Rate	Revenue Impact
1	Net Investment Rate Base			
2	Returns Adjusted For Income Taxes			
3				
4	Required Annual Operating Income Before Taxes (Line 1 x Line 2)	\$ -	\$ -	\$ -
5				
6	Amortization Of Excess ADIT (Protected) - Using Aram			
7	Amortization Of Excess ADIT (Unprotected)			
8				
9	Total Amortization Of Excess ADIT (Line 6 + Line 7)		-	
10	Gross-Up Factor Using 21% Federal Tax Rate			
11				
11	Total Reduction In Deferred Income Tax Expense (Line 9 x Line 10)			-
12				
13	Total Reduction In Revenue Requirements (Line 4 + Line 11)			\$ -

5. Refer to Columbia Gas's response to Staff's First Request, Item 10. This response was nonresponsive. Columbia Gas was requested to use the Capital Structure for the calendar year ended December 31, 2017, that was provided in the response to Staff's First Request, Item 2, and not the Capital Structure that was used to calculate the base gas rates in Case No. 2016-00162. Using the adjusted Capital Structure for the calendar year ended December 31, 2017, that Columbia Gas provided in its response to Item 1.c.(1) of this request, the WACC's calculated in Item 2 of this request, and the table below, provide the revenue reduction resulting from the decrease in the FIT rate from 35 percent to 21 percent.

Line No.	Description	35% Federal Income Tax Rate	21% Federal Income Tax Rate	Revenue Impact
1	Capitalization			
2	Returns Adjusted For Income Taxes			
3				
4	Required Annual Operating Income Before Taxes (Line 1 x Line 2)	\$ -	\$ -	\$ -
5				
6	Amortization Of Excess ADIT (Protected) - Using Aram			
7	Amortization Of Excess ADIT (Unprotected)			
8				
9	Total Amortization Of Excess ADIT (Line 6 + Line 7)		-	
10	Gross-Up Factor Using 21% Federal Tax Rate			
11				
11	Total Reduction In Deferred Income Tax Expense (Line 9 x Line 10)			-
12				
13	Total Reduction In Revenue Requirements (Line 4 + Line 11)			\$ -

6. Refer to Columbia Gas’s response to Staff’s First Request, Item 12. Provide a schedule reflecting a 10-year amortization period for Columbia Gas’s unprotected excess ADIT and the impact this amortization would have on Columbia Gas’s revenue requirement.

7. Provide copies of all schedules provided in the responses, supporting calculations, and documentation in Excel spreadsheet format with formulas intact and unprotected, and all rows and columns fully accessible.

for   
Gwen R. Pinson  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED APR 06 2018

cc: Parties of Record

\*Brooke E Wancheck  
Assistant General Counsel  
Columbia Gas of Kentucky, Inc.  
290 W. Nationwide Blvd.  
Columbus, OHIO 43215

\*Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Cheryl A MacDonald  
Columbia Gas of Kentucky, Inc.  
290 W. Nationwide Blvd.  
Columbus, OHIO 43215

\*Judy M Cooper  
Director, Regulatory Services  
Columbia Gas of Kentucky, Inc.  
2001 Mercer Road  
P. O. Box 14241  
Lexington, KY 40512-4241

\*Justin M. McNeil  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Larry Cook  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Columbia Gas of Kentucky, Inc.  
290 W Nationwide Blvd  
Columbus, OH 43215