

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC 2021 SAFETY MODIFICATION)	CASE NO.
AND REPLACEMENT PROGRAM FILING OF)	2020-00327
COLUMBIA GAS OF KENTUCKY, INC.)	

ORDER

On October 15, 2020, Columbia Gas of Kentucky, Inc. (Columbia Kentucky) filed its 2021 annual forecasted data pursuant to the requirements of the Safety Modification and Replacement Program (SMRP) Rider. Columbia Kentucky proposed to revise its SMRP Rider rates effective December 30, 2020. Columbia Kentucky included its proposed In-Line Inspection Project (ILI Project) in its forecasted data. Columbia Kentucky proposes to recover the costs of its ILI Project using the SMRP Rider. The proposed ILI Project involves retro-fitting Columbia Kentucky's transmission Line DE to accommodate in-line inspection tools. Columbia Kentucky estimates the ILI Project will cost \$16,900,000 over two years.¹ To support its request to add the ILI Project to its SMRP Rider, Columbia Kentucky filed the testimony of Vice President and General Manager of Operations and Construction for Columbia Kentucky, David Roy, and Manager of Field Engineering for Columbia Kentucky, Gary Sullivan.

Commission Staff issued one round of discovery to which Columbia Kentucky filed responses on November 23, 2020. On December 17, 2020, the Commission entered an Order, pursuant to KRS 278.190(2), suspending Columbia Kentucky's proposed SMRP

¹ Testimony of Gary Sullivan (filed Oct. 15, 2020) at 14.

Rider rates for five months, up to and including May 30, 2021. There are no intervenors in this proceeding. The case now stands submitted for a decision.

Pursuant to the final Orders in Case Nos. 2016-00162² and 2019-00257,³ Columbia Kentucky's SMRP Rider should be updated annually to reflect the expected impact on Columbia Kentucky's revenue requirements of forecasted net plant additions. In its October 15, 2020 filing, Columbia Kentucky presented its 2021 annual forecasted data using the ending net plant balance to calculate the rate base. On November 23, 2020, Columbia Kentucky tendered its 2021 annual forecasted data using a 13-month average to support a forecasted revenue requirement for 2021 of \$15,373,402.⁴ Based upon this forecasted SMRP Rider revenue requirement, Columbia Kentucky Proposed to increase its current rates, as reflected below:

Per month:	
Rate GSR, Rate SVGTS-Residential Service	\$ 6.87
Rate GSO, Rate GDS, Rate SVGTS – Commercial or Industrial	\$ 25.18
Rate IUS, Rate IUDS	\$ 215.21
Rate IS, Rate DS, ⁵ Rate SAS	\$1,264.82 ⁶

² Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 22, 2016).

³ Case No. 2019-00257, *Electronic Application of Columbia Gas of Kentucky, Inc. for: 1) a Declaration That Construction of a Low Pressure System Safety Improvement is an Extension of Its System in the Ordinary Course of Business; 2) in the Alternative, for the Issuance of a Certificate of Public Convenience and Necessity for Such Construction; 3) Approval of an Amendment and Expansion of Its Accelerated Main Replacement Tariff to Its Safety Modification and Replacement Tariff; and (4) Approval to Modify the 2019 AMRP Construction Plan* (Ky. PSC Nov. 7, 2019).

⁴ Columbia Kentucky's Response to Staff's First Request for Information (Staff's First Request) (filed Nov. 23, 2020), Item 2c, Attachment A, Columbia Kentucky SMRP form 1.0 and SMRP Form 1.1. The Commission notes that Columbia Kentucky initially supplied forecasted data using a period ending net plant balance at December 31, 2021.

⁵ Excluding customers subject to Flex Provisions of Rate Schedule DS.

⁶ Columbia Kentucky's Response to Staff's First Request (filed Nov. 23, 2020), Item 2c, Attachment A, Columbia Kentucky SMRP form 1.0.

As the Commission stated in Case No. 2020-00229,⁷ using the ending balance to reflect the net plant increases arising from SMRP additions and retirements during the forecasted period means that, on average, Columbia Kentucky will collect a return on investments it has not yet made.⁸ It is also inconsistent with 807 KAR 5:001, Section 16(6)(c), which requires utilities requesting a general rate adjustment based on a forecasted year to calculate their rate bases using a 13-month average. Columbia Kentucky correctly points out in its response to Staff's First Request, Item 2a, that it has used a period ending balance in other proceedings related to its SMRP and its predecessor, the Accelerated Main Replacement Program (AMRP). However, the Commission finds no reason to continue with an erroneous methodology, and will use Columbia Kentucky's 2021 forecasted data using a 13-month average to calculate its SMRP rate increase.

In its application for expansion of its AMRP tariff in Case No. 2019-00257, Columbia Kentucky acknowledged that any future safety modification investments via Tariff SMRP would require Commission review and approval,⁹ an acknowledgment the Commission noted in its final Order in that proceeding.¹⁰ Although the Commission approved the expansion of AMRP to SMRP to permit Columbia Kentucky to recover its costs of approved safety modifications by use of a rider, this does not mean that every construction or modification program intended to improve the safety of Columbia

⁷ Case No. 2020-00229, *Electronic Application of Atmos Energy Corporation for PRP Rider Rates*, (Ky. PSC Sept. 30, 2020).

⁸ *Id.* at 3; Columbia Kentucky's Response to Staff's First Request (filed Nov. 23, 2020), Item 2b.

⁹ Case No. 2019-00257, *Electronic Application of Columbia Gas of Kentucky, Inc.* (filed July 29, 2019), Application at 3.

¹⁰ Case No. 2019-00257, *Columbia Gas of Kentucky, Inc.* (Ky. PSC Nov. 7, 2019), final Order at 16.

Kentucky's natural gas system is appropriate for cost recovery through a rider. The Commission having reviewed the evidence of record and being otherwise sufficiently advised, finds that including cost recovery for the ILI Project in the SMRP Rider is not appropriate. Although Columbia Kentucky will not be able to recover the costs associated with the proposed ILI Project through the SMRP mechanism, Columbia Kentucky is not precluded from seeking recovery of these costs in future base rate cases.

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky's proposed SMRP Rider rates are denied.
2. The SMRP Rider rates in the Appendix to this Order are approved for service rendered by Columbia Kentucky on and after the date of entry of this Order.
3. Within 20 days of the date of entry of this Order, Columbia Kentucky shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariff sheets setting forth the rates approved herein and reflecting that they were approved pursuant to this Order.
4. This case is closed and removed from the Commission's docket.

By the Commission



ATTEST:


Executive Director

Case No. 2020-00327

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2020-00327 DATED APR 30 2021

The following rates and charges are prescribed for the customers in the area served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned shall remain the same as those in effect under the authority of the Commission prior to the effective date of this Order.

2021 Safety Modification and Replacement Program Rider Rates

Per month:

Rate GSR, Rate SVGTS-Residential Service	\$ 6.63
Rate GSO, Rate GDS, Rate SVGTS – Commercial or Industrial	\$ 24.31
Rate IUS, Rate IUDS	\$ 207.80
Rate IS, Rate DS, ¹ Rate SAS	\$1,221.21

¹ Excluding customers subject to Flex Provisions of Rate Schedule DS.

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