

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF)
COLUMBIA GAS OF KENTUCKY, INC.) CASE NO. 8738

O R D E R

On July 5, 1983, the Public Service Commission ("Commission") issued its Order in this case. On July 25, 1983, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application for Rehearing and Motion for Oral Argument. On July 27, 1983, the Attorney General and Lexington-Fayette Urban County Government ("A.G.") filed a joint petition for rehearing. The A.G.'s request relates to only two issues--unaccounted for gas and inventory profits. Columbia's application relates to several issues.

Attrition

Columbia sought an adjustment to rate base as an attrition adjustment. Since the early 1970's this Commission has consistently rejected attrition adjustments of this type. See the Orders in Case No. 5607, General Adjustment of Electric Rates of Kentucky Utilities Company, issued August 2, 1972, and Case No. 5625, Notice of South Central Bell Telephone Company, issued October 20, 1972.

The Commission is well aware of the inflationary pressures on all utilities and the impact on revenues. However, the effect of attrition is adequately recognized through the use of an end of period rate base and the pro forma adjustments.

Contrary to the characterization of the Commission's finding as "mistaken" or "misapprehended," the finding is consistent with long established policy. Columbia has provided no information which leads the Commission to conclude that there is a need to change its policy or to modify it to conform to Columbia's presentation of the issue. Because the record fails to reflect any circumstances warranting a change of policy, the petition for rehearing should be denied on this issue.

Acquisition Adjustment

The Commission's opinion on the acquisition adjustment is consistent with the position adopted in decisions of this Commission in Columbia's rate increase request in Case No. 8281, An Adjustment of Rates of Columbia Gas of Kentucky, Inc., and in Case No. 8528, Delta Natural Gas Company, Inc., Notice of Adjustment of Rates, as well as in numerous other proceedings. Therefore, Columbia's petition for rehearing of this issue should be denied.

Prepaid Gas

The Commission will allow a rehearing of this issue. However, the issues of prepaid gas, winter service profits and projected sales are interrelated and one cannot be decided independently of the consideration given to the others, since there would be no winter service profits absent the increase in the cost of gas which leads to the proposed prepaid gas adjustment.

As stated in the original Order, the Commission considers projected sales level also to be related to changes in the price of gas.

Projected Sales

In addition to objecting to the Commission's disallowance of the total proposed adjustment, Columbia complains because the Commission did not make a temperature normalization adjustment. However, Columbia failed to provide any data supporting a temperature adjustment independent of its other volume adjustments, although such data was requested. Columbia complains that it was not aware that it had failed to satisfy any data requests. Although this should have been apparent, Columbia will be given a chance to provide this data, and also to provide any additional data it wishes in support of its proposed volume adjustment. The evidence should consist of more than the end result of a computer printout. The petition for rehearing is therefore granted on this issue, to be considered in conjunction with the prepaid gas adjustment and the proposed winter sales profits adjustment.

Inventory Profits

The Commission will allow a rehearing of this issue as discussed above.

Wage and Salary Increases

Columbia complains that the Commission's decision on wages and salaries is erroneous and that its wages are in line with wages in the service area and wages of other utility companies. The Commission will allow a rehearing on this issue. Columbia should provide comparisons of its salaries with those for

comparable jobs in its service area. Columbia should include a brief job description for each position and a discussion of the issue of relative security of jobs.

Pensions and Benefits/Uncollectibles Expense/Injuries and Damages/FERC Intervention

The Commission will allow a rehearing on these issues in order to provide Columbia with another opportunity to prove its case, since it contends that the Commission's decisions on these issues are erroneous.

Utilization of Locally Produced Gas

The section of the Order dealing with locally produced gas has no direct rate impact in this case, but simply orders Columbia to file reports regarding its efforts to minimize gas costs. The Commission is of the opinion that these reports are essential to the exercise of its regulatory jurisdiction under the present circumstances. The petition for rehearing is, therefore, denied on this issue.

Lost and Unaccounted For Gas

Since the Commission did not use the projected levels of unaccounted for gas provided by Columbia and limited lost and unaccounted for gas to the actual test period level experienced by Columbia, the Commission will deny the A.G.'s petition for rehearing on this issue. Actual line loss amounted to only 1.6 percent for the test period, substantially below the 5 percent limitation considered appropriate for rate-making purposes.

Based on these findings, IT IS HEREBY ORDERED That:

1. A rehearing shall be granted to receive additional testimony, evidence and arguments on the issues approved for rehearing;

2. Testimony shall be prefiled with the Commission by August 31, 1983;


3. Columbia's motion for oral argument be and it hereby is denied;

4. A hearing shall be held at the Commission's offices on Wednesday, September 7, 1983, at 9:00 A.M., Eastern Daylight Time.

Done at Frankfort, Kentucky, this 16th day of August, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary