

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

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

O R D E R

On January 14, 1983, Columbia Gas of Kentucky, Inc., ("Columbia") filed its notice with the Commission seeking to increase its rates and charges for gas service rendered to its customers by \$9.6 million. On July 5, 1983, the Commission issued its Order in this matter allowing Columbia to increase its operating revenues by \$2.1 million. On July 25, 1983, Columbia filed an application for Rehearing and Motion for Oral Argument. On July 27, 1983, the Attorney General ("AG") and Lexington-Fayette Urban County Government filed a joint petition for rehearing. On August 16, 1983, the Commission issued its Order allowing a rehearing on several of the issues petitioned. A public hearing of those issues was held September 7, 1983.

DISCUSSION

The Commission is of the opinion that Columbia and the AG presented no new evidence nor testimony in the rehearing of this case to convince the Commission that changes in the Commission's findings in its original Order are warranted on the issues of injuries and damages, pensions and benefits, prepaid gas, inventory profits, uncollectibles and Federal Energy Regulatory

Commission intervention costs. The Commission should, however, as discussed herein, amend its Order of July 5, 1983, to reflect temperature normalization and the loss of industrial sales volume to Columbia from Ashland Oil Company, Inc. No other arguments presented by Columbia on rehearing regarding its other projected sales volumes were persuasive enough to cause the Commission to change the findings of its Order of July 5, 1983.

The Order of July 5, 1983, stated that the Commission normally would allow an adjustment to sales to reflect temperature normalization, but that Columbia had failed to provide sufficient information to allow a determination of the appropriateness of such an adjustment in this case.^{1/} At the rehearing, Columbia presented the necessary, additional information to make this determination. Therefore, the Commission has reduced Columbia's test period sales volume by 606,923 Mcf to reflect the temperature adjustment.

During the rehearing, Columbia's witness, Mr. Bruce M. Hayes, an Industrial Marketing Engineer, presented testimony that Columbia has been informed by one of its major industrial customers, Ashland Oil Company, that it will no longer be purchasing gas from Columbia except as necessary on an emergency basis.^{2/} Therefore, the Commission has reduced Columbia's test period sales volume by an additional 1,145,186 Mcf to reflect the loss of Columbia's sales to this major customer.

The net effect of these two adjustments is to reduce the test period sales volume by 1,752,109 Mcf.

Normalized Revenues

The Commission in its Order of July 5, 1983, determined Columbia's normalized revenues to be \$156,546,703.^{3/} This amount has been reduced by \$9,907,717 to \$146,636,986 in order to reflect the adjustments to sales allowed herein, normalized for the October 26, 1982, purchased gas adjustment on file with the Commission.

Purchased Gas Expense

The Commission has reduced Columbia's normalized purchased gas expense of \$133,672,247 by \$8,007,354^{4/} to \$125,664,893 in order to reflect the related reduction in purchased gas from the reduction in sales volumes allowed herein. This adjustment also includes an allowance of 1.6 percent^{5/} for the level of line loss allowed by the Commission in its Order of July 5, 1983.

The net effect of the adjustments is to reduce Columbia's net operating income after an allowance for income taxes by \$965,639,^{6/} which increases Columbia's revenue requirement by \$1,907,247.^{7/}

FINDINGS AND ORDERS

The Commission, after considering the evidence of record and being advised, is of the opinion and finds that:

1. The rates and charges allowed in the Commission's Order of July 5, 1983, should be increased to produce additional revenues of \$1,907,247, as determined herein.

2. All other parts of the Commission's Order of July 5, 1983, not specifically amended herein, shall remain in full force and effect.

3. Within 30 days of the date of this Order Columbia should file its revised tariff sheets setting out the rates and charges approved herein.

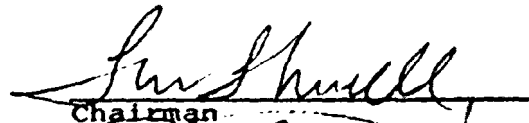
IT IS THEREFORE ORDERED that the rates and charges in Appendix A be and they hereby are the fair, just and reasonable rates and charges to be charged by Columbia for service rendered on and after the date of this Order.

IT IS FURTHER ORDERED that all other provisions of the Commission's Order of July 5, 1983, not specifically amended herein shall remain in full force and effect.

IT IS FURTHER ORDERED that Columbia shall file its revised tariff sheets setting out the rates and charges approved herein within 30 days of the date of this Order.

Done at Frankfort, Kentucky, this 23rd day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary

FOOTNOTES

1. Commission's Order dated July 5, 1983, page 10.
2. Transcript of Evidence, September 7, 1983, pages 47-48.
3. Commission's Order of July 5, 1983, page 10.
4. $1,752,109 \text{ MCF} \div (1 - .016) \times \4.497 average cost of purchased gas at October 26, 1982, purchased gas adjustment rate.
5. Response to Commission's Order dated March 2, 1983, Item 15.
6. $(\$9,909,717) + \$8,007,354 = (\$1,902,363) \times .4924$ cooperative tax rate = \$936,724 tax reduction. $(\$1,902,363) + \$936,724 = (\$965,639)$.
7. $\$965,639 \div \text{retention factor of } .5063 = \$1,907,247$.

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 8738 DATED NOVEMBER 23, 1983

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 herein shall remain the same as those in effect under authority of this Commission prior to the date of this Order. The following rates and charges have incorporated all adjustments through Case No. 8738-D.

GENERAL SERVICE RATE SCHEDULE - GS Residential
RATE

Customer Charge:
\$3.00 per delivery point per month

Commodity Charge:
First 50 Mcf per month @ \$5.810 per Mcf
All Over 50 Mcf per month @ \$5.626 per Mcf

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the customer charge.

GENERAL SERVICE RATE SCHEDULE - GS-Commercial and Industrial

RATE

Customer Charge:
\$5.00 per delivery point per month

Commodity Charge:
First 200 Mcf per month @ \$6.042 per Mcf
All Over 200 Mcf per month @ \$5.895 per Mcf

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the customer charge.

RATE SCHEDULE FC-1
FIRM AND CURTAILABLE GAS SERVICE - OPTIONAL

RATE*

**Firm Volume (Daily Firm Volume Times Number of Days
in Month)**

First 1,000 Mcf per month @ \$5.963 per Mcf
Over 1,000 Mcf per month @ \$5.913 per Mcf

Curtable Volume

\$5.764 per Mcf of Curtable Volume of gas
delivered hereunder each billing month.

AVAILABILITY OF EXCESS GAS

In the event Buyer shall desire to purchase on any day gas in excess of Buyer's specified Maximum Daily Volume, Buyer shall inform the Seller and if the Seller is able to provide such excess gas required by Buyer from its operations, Seller shall make such excess gas available at the rate of \$5.764 per Mcf.

MINIMUM MONTHLY CHARGE

See Sheet No. 58 for minimum monthly charge.

RATE SCHEDULE FI-1
FIRM AND INTERRUPTIBLE GAS SERVICE - OPTIONAL

RATE*

Daily Firm Volume

First 5,000 mcf per month @ \$5.888 per mcf
Over 5,000 Mcf per month @ \$5.857 per Mcf

Daily Interruptible Volume

\$5.677 per Mcf of Daily Interruptible Volume of gas
delivered hereunder each billing month.

AVAILABILITY OF EXCESS GAS

In the event Buyer shall desire to purchase on any day gas in excess of Buyer's specified Maximum Daily Volume, Buyer shall inform the Seller and if the Seller is able to provide such excess gas required by Buyer from its operations, Seller shall make such excess gas available at the rate of \$5.677 per Mcf.

RATE SCHEDULE IS-1
INTERRUPTIBLE GAS SERVICE - OPTIONAL

RATE*

Billing Months April Through November

\$6.061 per Mcf for all volumes delivered each month up to and including the Average Monthly Winter Volume. The Average Monthly Winter Volume shall be one-fourth of the total delivery during the preceding billing months of December through March.

\$5.661 per Mcf for all volumes delivered each month in excess of the Average Monthly Winter Volume.

Billing Months December Through March

\$6.061 per Mcf delivered.

RATE SCHEDULE IUS-1
INTRASTATE UTILITY SERVICE

RATE*

For all gas delivered each month \$5.695 per Mcf.

MINIMUM MONTHLY CHARGE

The Maximum Daily Volume specified in the Sales Agreement multiplied by \$5.695 per Mcf.

The base rates for the future application of the purchased gas adjustment clause are:

Columbia Gas Transmission Corporation

Zone 1 and Zone 3 rate per DTH

	<u>Demand</u>	<u>Commodity</u>
Schedule CDS	\$ 5.81	403.92¢
Schedule ws		
Demand	\$ 1.39	
Winter Contract Quantity	2.44¢	

Columbia LNG Corporation

LNG - Rate per Mcf

\$ 5.141

Transportation - Rate per DTH

Zone 1 and Zone 3

47.01¢