

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. 9003

ORDER ON REHEARING

On October 18, 1984, the Commission issued its Order granting rates for Columbia Gas of Kentucky, Inc. ("Columbia"). The Commission has received petitions for rehearing from Columbia, the Attorney General ("AG") and Eaton Corporation ("Eaton").

On November 5, 1984, Calgon Carbon Corporation ("Calgon") filed a letter with the Commission in which it protested the increase in Columbia's transportation rate. Calgon asserts that, as a result of the increase in the transportation rate, it may be forced to seek alternate fuels for use in its Catlettsburg, Kentucky, plant. Having never formally requested to intervene, Calgon is not presently a party to this case. However, in order to allow Calgon to properly present its arguments on this issue, the Commission will treat Calgon's letter of November 5, 1984, as a late-filed petition to intervene and grant Calgon full intervenor status for purposes of rehearing in this case.

In this Order, the Commission has addressed these petitions on rehearing.

On November 7, 1984, Columbia filed a petition for rehearing in Case No. 9003 "...solely to correct what Columbia believes to be an inadvertent error committed by the Commission with regard to the federal income tax computation used in developing the just and reasonable revenue level for Columbia." Columbia presented three basic arguments for its position on this issue.

First, Columbia stated that the test period per books negative income tax expense and the adjusted test period negative income tax expense indicates a net operating loss during that period. Second, the Commission has previously recognized (in Case No. 8281, An Adjustment of Rates of Columbia Gas of Kentucky, Inc.) that the inclusion of a test period negative federal income tax expense was misleading, and third, the inclusion of a negative income tax was not an issue in this proceeding. Although it can be argued that income taxes are a definite and logical consequence of all other operating statement line items, and subsequently constructive notice existed, the Commission views the departure from procedures utilized in Case No. 8281 significant enough to raise some concern as to whether Columbia was afforded complete legal due process on this issue. Therefore, the Commission is of the opinion that Columbia should be granted a rehearing so Columbia may present its viewpoints on the issue of income tax expense.

The AG in its petition filed November 7, 1984, requested rehearing on three issues: transportation revenues, tariff overstatement and the Commission's determination of rate design

resulting in a reduced IUS Tariff for Columbia's wholesale customers.

First, concerning the AG's request regarding transportation revenues, the AG was concerned that no increase was applied to Columbia's transportation rate. The Commission did apply \$252,780 of the revenue increase to the transportation charge. This amount was determined using test year billing determinants. During the test year, transportation revenues were \$252,780 (631,950 Mcf at 40¢/Mcf) and in the Commission's Order the transportation revenues were increased to \$505,560 (631,950 Mcf at 80¢/Mcf). Therefore, the Commission finds that no rehearing should be granted on this issue.

Second, the AG was concerned that the rates and charges in Appendix A to the Commission's Order overstated the revenue increase to Columbia by approximately \$2 million. The AG, in its analysis of the tariffs, must have failed to consider the roll-in of changes in the cost of gas. On page 1 of Appendix A to the Commission's Order, the Commission stated:

The following rates and charges have incorporated all changes through PGA Case No. 8738-K.

Normalized revenue and the revenue requirement in the body of the Order were based on rates and charges in effect in PGA Case No. 8738-H. The Commission incorporated the increased and decreased charges produced by PGAs 8738-I, J, and K which had the net overall effect of increasing gas cost by 8.9¢ per Mcf. Based on the 22,160,013 Mcf of gas sales during the test period, the net change of 8.9¢ per Mcf produced an increase for this period of

approximately \$2 million. Thus, the Commission's rates and charges as set out in Appendix A of its Order were correct as stated and would not produce excess revenues for Columbia. Therefore, the AG's petition for rehearing on this issue is denied.

Third, the AG requested rehearing on the Commission's rate design and its IUS wholesale rate in Appendix A apparently under the impression that this change created significant revenue impact on other customer classes, which is not the case because of the small volumes sold under the IUS tariff. This change in the IUS tariff rate resulted in only approximately \$158,000 to be borne by the other customer classes. Therefore, although the Commission is presently of the opinion that the IUS tariff as established in its Order is reasonable and supported by the record, it will grant rehearing on this issue.

On November 9, 1984, Eaton filed a petition for rehearing on the Commission's determination of a transportation rate for Rate Schedule DS of 80¢ per Mcf. The Commission will herein grant Eaton rehearing on this issue. Pursuant to the discussion above, the Commission will permit Calgon to intervene in the rehearing process on this rate as its concerns are similar to those of Eaton.

IT IS THEREFORE ORDERED that Columbia's petition for rehearing is granted.

IT IS FURTHER ORDERED that the AG's petition for rehearing is denied with the exception of the issue regarding the IUS wholesale tariff.

IT IS FURTHER ORDERED that Calgon be and it hereby is granted full intervention in this case for purposes of rehearing.

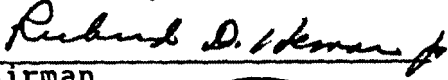
IT IS FURTHER ORDERED that Eaton's and Calgon's petitions for rehearing are granted on the issue of the transportation rate of 80¢ per Mcf set out in Appendix A to the Commission's Order of October 18, 1984.

IT IS FURTHER ORDERED that the parties granted rehearing on the issues stated above shall file any additional testimony within 30 days from the date of this Order.

IT IS FURTHER ORDERED that another Order setting the date and time for rehearing in this matter will be issued at a later date.

Done at Frankfort, Kentucky, this 21st day of November, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary