

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

REHEARING OF GENERAL RATE)
ADJUSTMENTS IN GAS RATES OF) CASE NO. 9003
COLUMBIA GAS OF KENTUCKY, INC.)

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc., ("Columbia") shall file an original and 12 copies of the following information with this Commission, with a copy to all parties of record, by February 14, 1985, or within 8 days from the date of this Order, whichever is later. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to insure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. If neither the requested information nor a

motion for an extension of time is filed by the stated date, the case may be dismissed.

1. Please provide the federal and state income tax returns of Columbia for the test year 1983.

2. Please provide a reconciliation of income tax expense per books and income tax expense per federal return itemizing the gross amount of timing differences and the associated tax effect.

3. Please provide a schedule of all permanent differences, including gross amount and tax effect, between revenue items per books and revenue items per 1983 federal income tax return.

4. Please provide a schedule of all permanent differences, including gross amount and tax effect, between expense items per books and expense items per 1983 federal income tax return. This schedule should include, if appropriate, but not limited to the following items:

a. Amortization of good will;

b. Allocation of percentage depletion versus allocation of cost depletion; and,

c. Depreciation to salvage value under straight line depreciation versus ACRS depreciation.

5. Please provide for 1983, a schedule of all tax credits, amortizable, allocated or otherwise available, which create a permanent reduction in federal income tax expense. This schedule should include, if appropriate, but not necessarily limited to:

a. Amortization of investment tax credits;

b. Targeted jobs tax credits;

c. Allocations of research activities credits;

- d. Special fuel credits;
- e. Credit for certain uses of gasoline and special fuels; and,
- f. Credits for employee stock ownership plans.

6. The Commission disallowed for rate-making purposes the following items and amounts:

- a. \$405,141 in wages and salaries;
- b. \$11,145 in meter reading expenses;
- c. \$4,776 in customer records expenses;
- d. \$68,628 in ordinary uncollectibles expense;
- e. \$130,272 in large uncollectibles expense;
- f. \$16,624 in injuries and damages;
- g. \$92,534 in employee pensions and benefits; and,
- h. \$78,356 in other taxes.

These are all legitimate tax deductions. Please provide all evidence why the ability to shield taxable income provided by these deductions and, thus, recapture through reduced income tax expense a portion of these items does not:

(1) Constitute a recapture of a portion of the expenses previously disallowed by this Commission; and,

(2) Shift business risk from Columbia's owners to Columbia's customers.

7. Please provide all evidence why the ability to carry forward the 1983 pretax net-operating loss per books and reduce future periods income tax expense does not constructively create a negative income tax expense.

8. Please provide all evidence why the 1983 pretax net-operating loss did not or would not provide a tax shelter for other holding company profits and constructively result in a negative income tax expense.

9. Please provide all evidence why the disallowed expenses listed in Item No. 6 do not provide an income tax shelter and constructively results in a negative income tax expense.

10. Please provide all evidence for the items provided in response to Item No. 5 why these items do not provide a tax shelter and constructively result in a negative income tax expense.

11. If it is Columbia's position as set out in the Prepared Testimony of Mr. W. W. Burchett, Jr., page 4, lines 12-20, that the pro forma amount of income tax expense (adjusted test period) should begin at zero (neither positive nor negative), please explain in detail why Columbia did not ask for a rehearing on this issue in Case No. 8738, An Adjustment of Rates of Columbia Gas of Kentucky, Inc., which had a positive adjusted test-period income tax expense.

Done at Frankfort, Kentucky, this 6th day of February, 1985.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary