

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF RATES OF COLUMBIA)
GAS OF KENTUCKY, INC.) CASE NO. 10201

O R D E R

IT IS ORDERED that the Utility and Rate Intervention Division in the Office of the Attorney General ("AG") shall file an original and 10 copies of the following information with this Commission, with a copy to all parties of record. 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. The information requested herein is due no later than August 11, 1988. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

Information Request No. 1

1. With reference to the proposed \$1,483,841 adjustment to rate base to offset prepaid nominated gas by amounts associable with cost-free accounts payable, state whether the AG believes the method used to derive this adjustment conforms with the Commission's \$2,399,482 adjustment on page 4 of its final Order in Case

No. 9003, An Adjustment of Rates of Columbia Gas of Kentucky, Inc. ("Columbia"). If not, explain the differences between the Commission's treatment in Case No. 9003 and the AG's proposed treatment in this case.

2. With reference to the \$3,467,366 adjustment to eliminate debit deferred taxes associated with winter services, state and explain the basis for the AG's assumption that this balance relates to tax and book timing differences at Columbia Gas Transmission Company.¹

3. With reference to the AG's adjustment to disallow Columbia's proposed \$467,460 adjustment to decrease accumulated depreciation, Columbia's adjustment appears to be based upon the difference in normalized depreciation under present and proposed rates.² Explain and reference the comparison alluded to on page 13, line 5. Also, provide schedules showing the "proper comparison" alluded to on page 13, line 8.

4. With reference to the AG's adjustment to eliminate cash working capital from rate base, explain why the AG believes the 1/8 formula proposed by Columbia is an "unacceptable formula methodology."³ Also, clarify whether the AG maintains this formula is unacceptable in all circumstances.

5. With reference to the AG's adjustment to the deferred distribution information system, provide the AG's proposed

¹ DeWard Prepared Testimony, page 12, lines 10-11.

² Columbia Exhibit 3.

³ Ibid., page 16, line 17.

calculation of the rate base impact assuming the Commission allows rate base treatment of these unamortized costs.⁴

6. With reference to the AG's adjustment to remove the amortization of the management audit from test year expenses,⁵ clarify whether the AG's position is that the rates produced by the settlement in Case No. 9554, An Adjustment of Rates of Columbia Gas of Kentucky, included a specific provision to allow recovery of the cost of the management audit in 1 year, and therefore this cost has already been fully recovered through rates.

7. With reference to the AG's depreciation expense adjustment, explain why the AG believes depreciation on customer advances for construction should be disallowed for rate-making purposes in this instance.

8. State and explain whether the AG believes an adjustment is necessary to flow back any of the excess deferred income taxes that resulted from the 1986 tax rate change from 46 percent to 34 percent. If so, provide the AG's proposed calculation of this adjustment.

9.a. Regarding the proposed adjustment for increased sales to Toyota (Exhibit TCD-1, Schedule 7), what criteria were applied in choosing to make this one adjustment based on estimated 1988 sales?

⁴ Ibid., page 22, lines 7-17.

⁵ Ibid., page 25, lines 9-20.

b. During any test year a utility the size of Columbia will both add and lose industrial customers and some industrial customers' gas purchases will fluctuate greatly from year to year. Why adjust sales only for Toyota without making similar adjustments for other industrial customers?

10.a. Regarding the proposed residential/commercial weather normalization adjustment (Exhibit TCD-1, Schedule 8), to what extent have you considered the effects of Columbia's bi-monthly meter reading procedures in attempting to isolate sales volumes for the months of July and August?

b. What recognition has been given to the effects of Columbia's cycle billing and associated prorating of sales between calendar months?

c. Regarding the proposed weather normalization adjustment for industrial sales, explain the method by which you determined the industrial base load; if no base load was derived, explain the assumptions made in adjusting temperature-sensitive sales as shown on Exhibit TCD-1, Schedule 8.

11.a. Regarding the proposed adjustment to reduce lost and unaccounted for gas (Exhibit TCD-1, Schedule 11), why were periods that ended in September, outside the main heating season, selected to compare to the test year ended December 31, 1987?

b. Explain the reasons why earlier calendar years were not used for a comparison to the test year.

c. On page 23, lines 13-14, of the testimony of Mr. Deward, he mentions "...sales were at the lowest level in the four-year period." By this statement and the nature of this adjustment, is

Mr. Deward taking the position that lost and unaccounted for gas is related solely to tariffed sales, i.e. that transportation volumes should be excluded from the issue of lost and unaccounted for gas?

Done at Frankfort, Kentucky this 3rd day of August, 1988.

PUBLIC SERVICE COMMISSION

Richard D. Homan, Jr.
For The Commission

ATTEST:

Executive Director