

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF COLUMBIA GAS
OF KENTUCKY, INC.

) CASE NO.
) 10498

O R D E R

IT IS ORDERED that Columbia Gas of Kentucky, Inc. ("Columbia") shall file the original and 10 copies of the following information with the Commission by January 8, 1990, with a copy to all parties of record. 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 ensure that it is legible. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Explain how the Commission's treatment of the unbilled revenues results in denial of the expense recovery as is stated at line 9, page 2 of James Irwin's testimony.

2. Considering the fact that the Commission determines rates based on 12 months of revenues and 12 months of income tax

expense, explain the impact of taxes on unbilled revenues on the revenue requirements determination.

3. Provide the amount of deferred taxes on unbilled revenues remaining on Columbia's books at the end of the test period, at December 31, 1986, December 31, 1987, and December 31, 1988.

4. On page 4, line 27, of Irwin's testimony, he states "Many of the debit and credit balances of deferred taxes residing on Columbia's books are considered inappropriate for rate purposes and not justified as rate base adjustments." Identify such deferred tax items and explain why each item is considered an inappropriate rate item.

5. If the Commission increased Columbia's rate base as has been proposed in this proceeding, would it not be proper to first adjust the rate base downward for the amount of deferred taxes on unbilled revenues at the end of the test period?

6. Regarding Irwin Supplemental Testimony, line 9, page 5, provide in detail Columbia's proposal to allow the additional tax payments as a rate base item. Include all calculations and show the revenue requirement effect of the proposal.

7. Provide detailed workpapers including detailed tax and book depreciation schedules supporting the amount that book depreciation exceeds allowable tax depreciation on property installed between 1954 and 1970.

8. Provide an explanation as to why Columbia requested the change from normalization to flow-through for the tax effect of book/tax timing differences in Case No. 3196.¹

9. Provide a detailed analysis of what the situation would be at August 31, 1988 if the company had continued to normalize from 1967 through the present.

10. Provide an analysis which reflects the method (normalization or flow through) currently used as well as the method used in each rate proceeding since January 1, 1968 for the tax effect of all book/tax timing differences.

11. Explain in detail the changes Columbia instituted in the method of accounting for deferred taxes as a result of the TRA?

Done at Frankfort, Kentucky, this 21st day of December, 1989.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Executive Director

¹ Case No. 3196, The Application of Central Kentucky Natural gas Company and United Fuel Gas Company for the Issuance of an Order Relating to Procedures to be Followed Under the Liberalized Methods of Calculating Depreciation Permitted by the Internal Revenue Code of 1954, Final Order Dated September 15, 1956.