COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE TARIFF FILING OF COLUMBIA GAS OF KENTUCKY, INC. TO IMPLEMENT A SMALL VOLUME GAS TRANSPORTATION SERVICE, TO CONTINUE ITS GAS COST INCENTIVE MECHANISMS, AND TO CONTINUE ITS CUSTOMER ASSISTANCE PROGRAM	)	CASE NO. 99-165

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. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a response requires multiple pages, each page should be indexed appropriately, for example, Item 1(a), page 2 of 4. With each response, include the name of the witness who will be responsible for responding to questions related thereto. Careful attention should be given to copied material to ensure that it is legible. The response to this request is due September 10, 1999.

1. Refer to Columbia s response to Item 3a of the Commission s Order of July 30, 1999. According to Columbia, the charge would be bundled into the rate the marketer charges the customer. Explain how this allows the customer to accurately compare the marketer s true cost of providing natural gas to what the customer would incur as a customer of Columbia.

2. Refer to the response to Item 4 of the Commission s Order of July 30, 1999, where the deadband method is referred to as an effort to avoid devising a complicated true-up mechanism.

a. Explain why a true-up mechanism would need to be so complicated as to cause the Collaborative to avoid it altogether.

b. Columbia s Gas Cost Adjustment mechanism contains true-up provisions such as Actual Cost and Balancing adjustments. From its perspective, does Columbia foresee that a true-up mechanism would be administratively complicated or unworkable?

3. Refer to the response to Item 5 of the Commission s Order of July 30, 1999, which discusses the Collaborative s agreement on the use of the deadband.

a. The response indicates that percentages other than 10 percent were discussed. Describe the nature of the discussions and how it was determined that 10 percent was reasonable.

b. Several features of the proposed small volume transportation program are patterned after programs offered by other Columbia distribution companies. Is the 10 percent deadband patterned after any of the programs presently offered by other Columbia distribution companies?

4. Refer to the response to Item 8 of the Commission s Order of July 30, 1999. Are demand charges anticipated to decrease as customers migrate to alternate suppliers?

5. Refer to the response to Item 9a of the Commission s Order of July 30, 1999. Does this response assume that a surcharge would be charged only to

customers taking advantage of the small volume transportation program, or to all customers? If the charge were collected on all volumes in the small volume class and did not have to be added only to marketer rates, why would Columbia anticipate customer confusion?

6. Define transparency as Columbia is using it. Does it mean easily understood and helpful in terms of the clarification it provides as to the actual cost of the program, or does it mean invisible, or does it mean something else?

7. Refer to the response to Item 10a of the Commission s July 30, 1999 Order. What method of recovery do these two Columbia companies now use? Provide a detailed narrative explanation, including the process involved in changing the method of recovery and the tariffs and Orders approving these methodologies.

8. Refer to Columbia s response to Item 10b of the Commission s July 30, 1999 Order. How has the program in Ohio been structured to ensure that customers do not avoid taxes? Provide copies of all appropriate legislation, orders, and other documentation to support your response.

9. Refer to the response to Item 11 of the Commission s Order of July 30, 1999, which shows Columbia s equity returns for the past five calendar years and the impacts of using non-traditional revenue sources to enhance those returns.

a. Part b of the response indicates that for 1998 off-system sales and state income tax benefits had a $3.3 million impact on net income. In response to Item 11 of the Commission s Order of July 2, 1999, Columbia separately identified the net income impacts of these non-traditional revenue sources to be $2.2 million from the tax savings and $1.8 million from the off-system sales for a total of $4.0 million. Provide an explanation and reconciliation of the $4.0 million identified in the earlier response and the $3.3 million impact identified in the response to the Order of July 30, 1999.

b. For 1998, provide a breakdown that identifies separately the impact on both net income and the percentage return on equity of the tax savings and the off-system sales.

10. Refer to the response to Item 15b of the Commission s July 30, 1999 Order. Is Columbia proposing to fix the benchmark only for the initial three-year period of the small volume transportation program, and then re-set it once the more recent historical experience has become more relevant?

11. Refer to the response to Item 19a of the Commission s Order of July 30, 1999. The information requested was not supplied. Provide the information as originally requested. At the time the Commission was considering the proposed settlement in Case No. 94-179,[1] what information was provided by Columbia to demonstrate that the rates were cost-justified?

12. Provide a copy of the filing made by Columbia Gas of Pennsylvania pursuant to the July 16, 1999 Order of the Pennsylvania Public Utility Commission in Docket No. M-00991249. To the extent that this filing specifically addresses that Commission s requirements to: demonstrate that sample tariffs do now allow cost shifts; and to set forth the basis in incremental costs of any proposed billing charge to alternate natural gas suppliers, explain why Columbia has been unable to provide similar information to this Commission.

[1] Case No. 94-179, Notice of Adjustment of Rates of Columbia Gas of Kentucky, Inc., On and After July 1, 1994.

13. Provide a proposed billing format for retail gas customers who choose an alternate gas supplier.

14. According to Columbia s Program Description included in its Application, an education plan and materials will be developed prior to the start of the moratorium so as to be available at the outset.

a. What is the status of the development of these materials?

b. Is Columbia developing the plan and materials, or are they being developed by a public relations consultant?

c. Provide any details currently available concerning the content of the plan and materials. If no details are available or if these items are not currently under development, what is the proposed timetable for their development?

15. Refer to Columbia s response to Item 22 of the Commission s Order of July 30, 1999. Columbia states that services such as distribution are not taxable under the Kentucky Constitution and, therefore, Columbia may not collect gross receipt taxes and sales taxes on the distribution service.

a. Explain why Columbia believes it will be able to collect gross receipts and sales taxes from small volume transportation program customers when it cannot do so from other transportation customers.

b. If Columbia is unable to collect and remit gross receipts and sales taxes from customers receiving service under the small volume transportation program tariff, will Columbia s delivered cost of providing gas to sales customers be higher by the amount of tax collected from those customers? Fully explain your response.

c. If Columbia is unable to collect and remit gross receipts and sales taxes from customers receiving service under the small volume transportation program tariff, has Columbia examined and discussed with school officials the impact this could have on the budgets of affected school districts? Fully explain your response, and provide copies of any correspondence or minutes from meetings with school districts or government agencies regarding the proposed tariff.

16. Refer to Columbia s response to Item 31b of the Commission s Order of July 30, 1999. Has Columbia sought an opinion from the Kentucky Revenue Cabinet (KRC) regarding its ability to collect and remit gross receipts and sales taxes? If yes, has the KRC rendered an opinion? Provide copies of all correspondence exchanged with the KRC on this issue.

17. If the KRC determines that Columbia cannot collect and remit gross receipt and sales taxes on small volume transportation program volumes, should the Commission declare marketers to be utilities so that they are subject to the same taxes as the incumbent utility? Fully explain your response.

18. Refer to Columbia s response to Item 27 of the Commission s Order of July 30, 1999. Yes. What is Columbia s opinion regarding the appropriateness of Columbia entering into joint purchasing agreements given that Columbia is proposing to open its market to competition from marketing companies, both affiliated and non-affiliated?

19. Refer to Columbia s response to Item 29 of the Commission s Order of July 30, 1999. What methodology does Columbia employ to allocate costs that it cannot directly assign?

20. Refer to Columbia s response to Item 34 of the Commission s Order of July 30, 1999. Is Columbia aware that many of the telecommunications companies that are subject to the requirements established in Administrative Case Nos. 359 and 370 do not own facilities in Kentucky (that is, they are not directly connected to customers) and, further, that many of these companies did not exist as Kentucky jurisdictional companies at the time the final orders in these cases were issued?

21. Has Pennsylvania s statutory requirement that the Pennsylvania Public Utility Commission license marketers discouraged marketers from participating in Columbia Gas of Pennsylvania s Customer Choice program?

Done at Frankfort, Kentucky, this 27th day of August, 1999.

By the Commission

ATTEST:

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Executive Director