

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF	)	
KENTUCKY, INC. FOR AN ADJUSTMENT	)	CASE NO. 2013-00167
OF RATES FOR GAS SERVICE	)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due by October 9, 2013. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The AG shall make timely amendment to any prior response if he obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

the AG fails or refuses to furnish all or part of the requested information, the AG shall provide a written explanation of the specific grounds for his failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. Refer to the Direct Testimony and Exhibits of Frank W. Radigan (“Radigan Testimony”) at pages 7-8.

a. Identify the sources for the annual use per customer and heating degree days (“HDD”) discussed in the testimony and shown on the graph at the top of page 8.

b. Identify the specific weather stations upon which the HDD totals are based.

2. Refer to the Radigan Testimony at pages 10-11.

a. Lines 19-20 on page 10 refer to annual HDD as being approximately 4,500 per year. Identify the specific 12-month period in which HDD were at this level.

b. Lines 6-7 on page 11 refer to “data supplied by the Company...” Identify the specific data to which the testimony is referring.

c. If not clearly reflected in the data identified in response to part b. of this request, provide the calculations, workpapers, etc., which show how the customer level of 120,000 referenced on line 10 of page 11 was derived.

3. Refer to the Radigan Testimony at pages 12-13.
  - a. Identify the source of the use per customer for the commercial class for the 12 months ending June 2013 cited on lines 11-12 of page 12.
  - b. Identify the source of the industrial class sales volume for the 12 months ending June 2013 cited on lines 14-15 of page 12.
  - c. Provide the calculations, workpapers, etc., showing the derivation of the revenue requirement impacts cited on lines 9-10 of page 13.
4. Refer to the Radigan Testimony at pages 14-16.
  - a. Explain why Mr. Radigan believes Columbia Gas of Kentucky, Inc.'s ("Columbia") increase in forfeited discounts since its 2009 rate case is "most likely the impact of aggressive collection activities by the Company...."
  - b. Explain why, on page 15, an average of the three years 2010 to 2012 was used to derive the recommended level of revenue from forfeited discounts of \$490,806, while the information provided by Columbia included 2013 year-to-date figures.
  - c. Provide the calculation of the "\$3.3 million per year from the table above..." referenced on page 15, lines 13-14.
  - d. Explain why the period 2009 through June 2013 was used to derive the average of \$3.3 million in unbilled revenues cited on line 13 of page 15.
  - e. Confirm that if the three years 2010 to 2012 were used, the average level of unbilled revenues would be \$369,659.
5. Refer to the Radigan Testimony, pages 22-24, Schedules FWR-11 and FWR-11A, and the Columbia depreciation study filed to comply with filing requirement

12.s., specifically, pages III-101, III-102, III-110 and III-111 of the study, which include the specific plant accounts to which Mr. Radigan refers in his testimony.

a. Mr. Radigan's testimony, at page 22, lines 18-19, states, "Based on December 31, 2012 data, moving to the equal life group procedure would increase depreciation expense by \$3.2 million (Response to AG question 1-92)." Sch. FWR-11A appears to indicate, in the far right column, that the difference in depreciation expense from using the equal life group ("ELG") method versus the average service life ("ASL") method is \$2.3 million. Explain how Mr. Radigan determined the difference from using the ELG versus the ASL method is \$3.2 million based on the data response he cites.

b. Refer to the two schedules. Confirm that Mr. Radigan developed an adjustment of \$2,829,000 on Sch. FWR-11A based on plant in-service balances as of December 31, 2012, and then applied that adjustment to Columbia's proposed level of depreciation expense for the test year ending December 31, 2014.

c. The historical data in the depreciation study covers the years 1969 through 2010. Explain why, for Account 376, Mains, and Account 380, Services, Mr. Radigan selected the periods of 1969-2000 and post-2000 to compare retirements and net salvage ratios, rather than some other periods within this 42-year span.

d. Mr. Radigan states that Columbia's accelerated main-replacement program ("AMRP") is affecting the indicated net salvage rates for Accounts 376 and 380 in the post-2000 period, with the result being lower net salvage rates during this period. Explain whether Mr. Radigan is aware that the AMRP was only in effect for part of 2009 and the years 2010-2012 during this period.

e. Given that the AMRP was in effect for less than four of the 12 years in the post-2000 period, explain why Mr. Radigan believes the AMRP had an impact of any significance on the net salvage rates for this period.

f. For Account 376, Mains, after describing the 1969-2000 period, on page 24, lines 3-4, Mr. Radigan refers to more recent years which “show retirements in the \$900,000 to \$1,200,000 per year range and net salvage rates for the years with high retirements between (6%) and (10%).” Pages III-101 and -102 show retirements during the post-2000 period for Account 376 ranging from \$168,669 in 2006 to \$2,023,544 in 2003, with retirement amounts (when rounded) falling within a \$900,000 to \$1,200,000 range in only four of 12 years. With the retirement data for Account 376 being what it is, explain how Mr. Radigan developed the aforementioned range and identify the specific years to which he refers as the “years with high retirements.”

g. For Account 376, Mains, Mr. Radigan bases his recommendation for net salvage rates on the “years with high retirements” in the post-2000 period. However, for Account 380, Services, he bases his recommended net salvage rate on the average of the five years, 2008-2012. Explain why it is appropriate to use different approaches for developing recommended net salvage rates for these two accounts.

6. Refer to the Radigan Testimony, page 25, lines 6-16. Columbia plans to complete Automated Meter Reading device (“AMRs”) installation in 2014 and estimates \$419,731 in annual expense related to the AMRs. It estimates a \$741,000 expense reduction in 2015 due to operation of the AMRs. Explain whether Mr. Radigan believes it is reasonable to recognize this expense reduction so that a full year of the AMRs’ net cost is reflected in Columbia’s cost of service.

7. Refer to the Radigan Testimony, pages 33-34.
  - a. State whether Mr. Radigan is sponsoring the Direct Testimony of J. Randall Woolridge from Case No. 2012-00520.<sup>1</sup>
  - b. Explain how the third quarter of 2013 allowed Returns on Equity of 9.3 to 10.2 percent referenced on these pages supports the 8.5 percent apparently drawn from a water utility rate case that has not been decided by the Commission and that was recommended by a witness that has not offered testimony in this proceeding.
8. Refer to the Radigan Testimony, pages 34-35.
  - a. State whether the AG is aware that Columbia's proposed change in the Accelerated Main Replacement Program Rider tariff with regard to property taxes is consistent with similar provisions contained in the tariffs of Delta Natural Gas Company, Inc. and Atmos Energy Corporation.
  - b. State whether the AG is aware that Columbia's proposal to true up actual with projected costs will ensure that there is no over-recovery of property tax expense.
9. Refer to page 12 of the Direct Testimony and Schedules of Glenn A. Watkins ("Watkins Testimony"). Starting at line 12, Mr. Watkins states that "[t]he Peak and Average approach is the most fair and equitable method to assign natural gas distribution mains costs to the various customer classes." Provide all analysis and documents relied upon in making this statement. Include in the response whether Mr. Watkins has ever supported a cost-of-service study ("COSS") for a natural gas utility

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<sup>1</sup> Case No. 2012-00520, Application of Kentucky-American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year, filed Dec. 28, 2012.

based on something other than the Peak and Average method. If so, identify the proceeding and the method supported.

10. Refer to the Watkins Testimony, pages 27-31, regarding Mr. Watkins's disagreement with the use of specific allocators in Columbia's COSS, his changes to the allocations, and his assertion that the changes are consistent with the COSS filed by Columbia in prior cases. State whether Mr. Watkins made any changes to allocations that are not consistent with the COSS Columbia filed in its last rate case. If so, identify the changes.

11. Refer to page 34 of the Watkins Testimony. Beginning at line 8, Mr. Watkins states that "...it is therefore, logical, equitable, and appropriate to assign these costs to classes based on the utilization of Columbia's facilities; i.e., MCF usage." Explain why MCF usage is more appropriate for allocating NiSource Corporation Service Costs than another allocation basis, such as customer number.

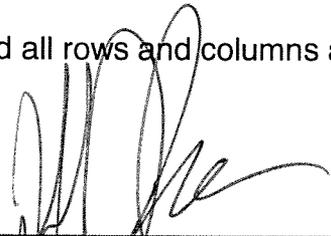
12. Refer to page 41 of the Watkins Testimony. Beginning at line 4, Mr. Watkins states that "...no recognition should be given to any cost allocations in this case for purposes of evaluating class revenue responsibility or in assigning the overall approved increase in revenue requirement to individual classes." State whether Mr. Watkins believes that the COSS results filed as his Schedule GAW-5 should not be used for this purpose.

13. Refer to the Watkins Testimony, page 63. Starting at line 8, Mr. Watkins states that Columbia witness Russell Feingold calculated a residential customer charge ranging from \$22.28 to \$31.93, which can be found on page 13 of Schedules 2 and 3 of Mr. Feingold's Direct Testimony. Provide the same information that appears on the

referenced page 13 that would result from using Mr. Watkins's COSS, the results of which are presented in Schedule GAW-5.

14. Refer to the Watkins Testimony, pages 63-64. Given the referenced monthly cost range of \$8.44 to \$11.48, provide the derivation of the \$14.00 maximum residential monthly customer charge recommended on line 20 of page 64.

15. Refer to Schedule GAW-5. Provide the COSS in Excel spreadsheet format with the formulas intact and unprotected and all rows and columns accessible.



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DATED SEP 25 2013

cc: Parties of Record

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