

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

ELECTRONIC INVESTIGATION OF THE IM- )  
PACT OF THE TAX CUTS AND JOB ACT ON ) Case No. 2018-00041  
THE RATES COLUMBIA GAS OF KEN- )  
TUCKY, INC., )

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**PREPARED SUPPLEMENTAL TESTIMONY OF  
CHUN-YI LAI  
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

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**August 31, 2018**

Attorney for  
**COLUMBIA GAS OF KENTUCKY, INC.**

**PREPARED SUPPLEMENTAL TESTIMONY OF CHUN-YI LAI**

1 **Q: Please state your name and business address.**

2 A: My name is Chun-Yi Lai and my business address is 290 W. Nationwide  
3 Blvd., Columbus, Ohio 43215.

4 **Q: What is your current position and what are your responsibilities?**

5 A: I am a Regulatory Manager for NiSource Corporate Services Company  
6 (“NCSC”). As a Regulatory Manager for NCSC, my principal responsibili-  
7 ties include providing support for various informational and rate filings,  
8 general rate case preparation and other duties as assigned. NCSC provides,  
9 among other services, accounting and regulatory-related services for the  
10 NiSource gas distribution companies, including Columbia Gas of Kentucky,  
11 Inc. (“Columbia”).

12 **Q: Are you the same Chun-Yi Lai that filed direct testimony in this**  
13 **proceeding on January 26, 2018?**

14 A: Yes, I am.

15 **Q: Please summarize your direct testimony filed on January 26, 2018.**

16 A. My direct testimony addressed the revenue requirement impact as a result  
17 of the Tax Cuts and Jobs Act of 2017 (“Tax Act”) signed into law on Decem-  
18 ber 22, 2017. More specifically, my direct testimony addressed the calcula-  
19 tion and pass back of revenue to Columbia’s customers through a Tax Act

1 Adjustment Factor, as a result of the lower corporate federal income tax rate.  
2 On April 30, 2018, the Public Service Commission (“Commission”) ap-  
3 proved the Tax Act Adjustment Factor for services rendered on and after  
4 May 1, 2018.

5 **Q: What is the purpose of your supplemental testimony in this proceeding?**

6 A: The purpose of my supplemental testimony is to address the pass back of  
7 the tax expense savings from January 1, 2018 through April 30, 2018, and  
8 the excess deferred income taxes (“EDIT”). At the time of the filing of my  
9 direct testimony, Columbia was unable to determine with certainty the  
10 amount of tax expense savings from January 1, 2018 through April 30, 2018,  
11 and the EDIT result from the Tax Act. The Commission issued an order on  
12 April 30, 2018, directing Columbia to file revised Tax Adjustment Factors re-  
13 flecting these changes by September 1, 2018. I will be addressing the rate  
14 components to be included in the revised Tax Act Adjustment Factor for  
15 services rendered with the first billing unit of October 2018.

16 **Q. What are the attachments that you are sponsoring?**

17 A. I am sponsoring Attachment CYL-1 which includes the rate components  
18 included in the revised Tax Act Adjustment Factor and consists of four  
19 pages as noted below.

20 • Page 1 - Rate Components for the revised Tax Act Adjustment Fac-  
21 tor

- Page 2- Rate Reduction for Excess Deferred Income Taxes
- Page 3- Pass Back of Tax Expense Savings
- Page 4- Pass Back of Excess Deferred Income Taxes

Also, I am sponsoring Attachment CYL-2 which includes Tariff Sheet No. 7a reflecting the revised Tax Act Adjustment Factor to be effective with services rendered on and after the first billing unit of October 2018.

**Q. Please explain the rate components that Columbia proposes to include in the revised Tax Act Adjustment Factor as shown on Attachment CYL-1, Page 1.**

A. The revised Tax Act Adjustment Factor by rate class will include a total of four rate components. The first component, as shown on Attachment CYL-1, Page 1, Column 2, became effective on May 1, 2018, and reflects the rate reduction due to the lower corporate federal income tax expense. The second component, as shown on Attachment CYL-1, Page 1, Column 3, reflects the annual rate reduction, or amortization, of the EDIT to be effective with services rendered on and after the first billing unit of October 2018. The third component, as shown on Attachment CYL-1, Page 1, Column 4, reflects the pass back of the tax expense savings from January 1, 2018 through April 30, 2018 over a seven-month period of October 2018 through April 2019. The fourth component, as shown on Attachment CYL-1, Page 1, Column 5, reflects the pass back of the rate reduction associated

1 with EDIT from January 1, 2018 through September 30, 2018 over a seven-  
2 month period of October 2018 through April 2019.

3 **Q. Please describe the rate reductions for tax expense as shown on Attach-**  
4 **ment CYL-1, Page 1, Column 2.**

5 A. Columbia proposed to reflect the reduction in rates due to the lower cor-  
6 porate federal income tax rate through a Tax Act Adjustment Factor that  
7 lowered the volumetric delivery charge to its customers. This was ap-  
8 proved by the Commission's order in this proceeding dated April 30, 2018  
9 for services rendered on and after May 1, 2018.

10 **Q. Please describe the annual rate reduction for EDIT, as shown on At-**  
11 **tachment CYL-1, Page 1, Column 3, to be effective with services ren-**  
12 **dered on and after the first billing unit of October 2018.**

13 A. The detailed calculation of the annual reduction, or amortization, of EDIT  
14 is discussed in Witness Fischer's supplemental testimony. The annual re-  
15 duction, as shown on Attachment CYL-1, Page 2, is distributed to the rate  
16 classes based on the revenue allocation authorized in Columbia's last base  
17 rate case<sup>1</sup> and its Accelerated Main Replacement Program<sup>2</sup>. The resulting  
18 allocated amounts are divided by projected rate class billing determinants  
19 for the twelve months ended September 30, 2019 to calculate the rate

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<sup>1</sup> KY PSC Case No, PUE-2016-00162.

1 component per Mcf for each rate class. This is the same methodology that  
2 Columbia used to allocate the change in the revenue requirement for the  
3 May 1, 2018 rate reduction for the tax expense component of the Tax Act  
4 Adjustment Factor as described in my direct testimony.

5 **Q. Please describe the tax expense savings from January 1, 2018 through**  
6 **April 30, 2018, as shown on Attachment CYL-1, Page 1, Column 4.**

7 A. The tax expense savings from January 1, 2018 through April 30, 2018 were  
8 calculated by using the Tax Act Adjustment Factor by rate class, as ap-  
9 proved for May 1, 2018, multiplied by normalized billing volumes for ser-  
10 vices rendered between January 1, 2018 and April 30, 2018. The total tax  
11 expense savings of \$1,612,621 by rate class, as shown on Attachment CYL-  
12 1, Page 3, is divided by the forecasted volumes by rate class for the seven-  
13 month period of October 2018 through April 2019 to derive the rate com-  
14 ponent per Mcf for each rate class. This rate component will be effective  
15 from October 2018 through April 2019.

16 **Q. Please describe the rate allocation for the pass back of the rate reduc-**  
17 **tions for EDIT from January 1, 2018 through September 2018, as shown**  
18 **on Attachment CYL-1, Page 1, Column 5.**

19 A. The pass back of the rate reduction for EDIT is calculated by multiplying

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<sup>2</sup> KY PSC Case No. 2017-00413.

1 the annual amount of \$794,674 by 9/12 to reflect the reductions associated  
2 with the nine month period of January through September 2018. This  
3 amount, as shown on Attachment CYL-1, Page 4, is distributed to the rate  
4 classes based on the revenue allocation method previously discussed on  
5 Page 4 of my supplemental testimony. The revenue allocation per rate  
6 class is then divided by the forecasted volumes by rate class for the seven-  
7 month period of October 2018 through April 2019 to derive the rate com-  
8 ponent per Mcf for each rate class. This rate component will be effective  
9 from October 2018 through April 2019.

10 **Q. Please describe the revised Tax Act Adjustment Factor as shown on At-**  
11 **tachment CYL-1, Page 1, Column 6.**

12 A. Attachment CYL-1, Page 1, Column 6 summarizes the four components  
13 that Columbia proposes to return to its customers with services rendered  
14 on and after the first billing unit of October 2018. The amount so deter-  
15 mined is set forth on proposed Tariff Sheet No. 7a which is attached as At-  
16 tachment CYL-2. Furthermore, the revised Tax Act Adjustment Factor will  
17 be adjusted to omit the pass back rate components, shown on Attachment  
18 CYL-1, Page 1, Columns 4 and 5, effective with services rendered on and  
19 after the first billing unit of May 2019.

20 **Q. Will Columbia reconcile the amounts related to the pass back of the tax**

1            **expense savings and the EDIT components as proposed in Attachment**  
2            **CYL-1, Page 1, Columns 4 and 5, respectively?**

3    A.    Yes, Columbia will reconcile the amount from the pass back of the tax ex-  
4            pense savings and the EDIT through a one-time true-up to be included in  
5            the Tax Act Adjustment Factor for an effective period of three months. Co-  
6            lumbia will determine the reconciliation amount after billing is complete  
7            for April 2019, or the end of the pass back period by comparing actual col-  
8            lections to the expected pass back amounts by rate class. The reconcilia-  
9            tion amount will be trued up over a three-month period of September  
10           2019 through November 2019. Columbia will submit the calculation of the  
11           Tax Act Adjustment Factor and revised tariff sheets in conjunction with its  
12           quarterly Gas Cost Adjustment filing in July 2019.

13   **Q.    Does this complete your prepared supplemental testimony?**

14   A:    Yes, however, I reserve the right to file rebuttal testimony if necessary.



COLUMBIA GAS OF KENTUCKY, INC.

GAS TARIFF  
PSC KY NO. 5  
FIRST REVISED ORIGINAL SHEET NO. 7a  
CANCELLING PSC KY NO. 5  
ORIGINAL SHEET NO. 7a

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**TAX ACT ADJUSTMENT FACTOR**

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**APPLICABILITY**

Applicable in the entire service territory of Company.

**AVAILABILITY**

Pursuant to the Tax Cuts and Jobs Act of 2017, a Tax Act Adjustment Factor is available to customers based upon the applicable Rate Schedule as set forth below. The applicable Tax Act Adjustment Factor shall be applied at billing to the volumetric Delivery Charge.

**RATE**

Rate Schedule GSR	(\$0. <del>482122</del> )	per Mcf
Rate Schedule GSO	(\$0. <del>292713</del> )	per Mcf
Rate Schedule IS	(\$0. <del>043602</del> )	per Mcf
Rate Schedule IUS	(\$0. <del>213409</del> )	per Mcf
Rate Schedule DS <sup>1/</sup>	(\$0. <del>043602</del> )	per Mcf
Rate Schedule GDS	(\$0. <del>292713</del> )	per Mcf
Rate Schedule IUDS	(\$0. <del>213409</del> )	per Mcf
Rate Schedule SAS	(\$0. <del>043602</del> )	per Mcf
Rate Schedule SVGTS – GSR	(\$0. <del>482122</del> )	per Mcf
Rate Schedule SVGTS – GSO	(\$0. <del>292713</del> )	per Mcf
Rate Schedule SVGTS – IUS	(\$0. <del>213409</del> )	per Mcf

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DATE OF ISSUE            ~~May 18~~ August xx, 2018  
DATE EFFECTIVE        ~~May 1~~ September 28, 2018  
ISSUED BY                /s/ Herbert A. Miller, Jr.  
TITLE                      President

Issued pursuant to an Order of the Public Service Commission in Case No. 2018-00041 dated April 30, 2018, interim and subject to future adjustment

**COLUMBIA GAS OF KENTUCKY, INC.**

GAS TARIFF  
PSC KY NO. 5  
~~FIRST REVISED ORIGINAL~~ SHEET NO. 7a  
CANCELLING PSC KY NO. 5  
ORIGINAL SHEET NO. 7a

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1/ Excluding customers subject to the Flex Provisions of Rate Schedule DS

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