

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC 2021 SAFETY MODIFICATION)
AND REPLACEMENT PROGRAM FILING OF) CASE NO. 2020-00327
COLUMBIA GAS OF KENTUCKY, INC.)

COLUMBIA GAS OF KENTUCKY, INC.'S
MOTION FOR REHEARING

Comes now Columbia Gas of Kentucky, Inc. ("Columbia"), by counsel, pursuant to KRS 278.400 and other applicable law, and does hereby request the Commission to grant rehearing to clarify one unaddressed question in the Commission's April 30, 2021 Order in the above-styled case, respectfully stating as follows:

I. BACKGROUND

On October 15, 2020, Columbia filed its 2021 annual forecasted data pursuant to the requirements of the Safety Modification and Replacement Program ("SMRP") Rider. Columbia proposed to revise its SMRP Rider rates effective December 30, 2020. Commission Staff issued one round of discovery to which Columbia filed responses on November 23, 2020. On December 17, 2020, the Commission entered an Order, pursuant to KRS 278.190(2), suspending Columbia's proposed SMRP Rider rates for five months, up to and including May 30, 2021. The Commission thereafter entered an Order on April 30, 2021 which approved Columbia's request with two adjustments. First, the

Commission disagreed with the Company's request to recover the costs of a proposed In-Line Inspection ("ILI") program through the SMRP Rider, while noting that such costs may be recovered in the course of a future rate case.¹ Second, the Commission required Columbia to use a thirteen (13) month average balance rather than an end of period balance when calculating net plant.

II. ARGUMENT

Columbia is not seeking rehearing on either of the two adjustments made by the Commission. Instead, Columbia seeks rehearing to address a timing issue that was not addressed in the Commission's April 30, 2021 Order. The SMRP Rider is designed to operate such that Columbia's proposed investments in qualifying infrastructure and safety enhancements are proposed in October and the expected impact on the Company's revenue requirements is then recovered over the next full calendar year beginning on January 1st. This is then followed by a March filing where the actual costs of investments from the preceding calendar year are netted against the actual recovery of costs through rates for the same period. In the March balancing adjustment, net over-recoveries are returned to customers through a credit and any net under-collections are charged to customers through a surcharge.² In this case, however, the timing of the Commission's

¹ Columbia filed a notice of intent to file an application for an adjustment of base rates on April 28, 2021, which was docketed as Case No. 2021-00183.

² The Commission approved Columbia's Balancing Adjustment in an Order entered on May 5, 2021 in Case No. 2021-00151. The new rates will be effective June 1, 2021.

Order prevented Columbia's proposed SMRP Rider rates from going into effect on January 1, 2021 as designed. As a result of the rates going into effect four months after the beginning of the calendar year, Columbia will significantly under-recover its SMRP investments for 2021.

With the new SMRP rates becoming effective on April 30, 2021, Columbia will effectively only recover eight months of authorized revenue in 2021 even though the SMRP filing involved a full twelve months of expenses. Columbia proposes that the SMRP rates should be amended so that the full year of expenses may still be recovered in 2021. To accomplish this, Columbia proposes to keep the rates authorized in the Commission's April 30th Order in effect through June 30, 2021 and then reset the rates so that the additional ten months of authorized recovery (January – April and July – December) will occur over the remaining six months of the calendar year. The billing determinants necessary to accomplish this are attached hereto and incorporated herein as Exhibit 1.³

Alternatively, Columbia believes that, per the SMRP's language, this four month under-recovery should be included in the March 2022 Balancing Adjustment filing. As the amount of under-recovery attributable to the delayed effectiveness of the annual SMRP filing is likely to be approximately \$1 million, however, prudence suggests that

³ Columbia considered requesting the Commission to consider addressing this issue through a *nunc pro tunc* order, however, given the proximity to the filing of its base rate case, filing a motion for reconsideration appeared to be more straightforward and less likely to complicate the rate case filing.

rehearing is warranted to confirm the Commission's agreement with this method for cost recovery in the event that the expense is not allowed to be recovered over the latter half of 2021. Columbia notes, however, that this alternative option would layer cost recovery for four months of 2021 SMRP expense on top of any new rates approved by the Commission in Case No. 2021-00183. Thus, in the event that the Commission does not amend the SMRP rates effective July 1, 2021 to account for the four month delay in establishing the new rate, Columbia respectfully requests the Commission to grant rehearing and confirm that any under-recovery on the SMRP Rider should be recovered through the 2022 Balancing Adjustment filing.

To the extent that the Commission or Staff desires to have an informal conference to discuss the anticipated under-recovery, Columbia respectfully requests that it be scheduled for early June due to the Company's ongoing efforts to complete and file its anticipated rate adjustment application on or after May 28, 2021.⁴

III. CONCLUSION

Columbia does not seek rehearing on either of the adjustments the Commission made to the October 2021 SMRP filing covering investments to be made throughout 2021. However, to avoid uncertainty in the future, Columbia believes that rehearing should be

⁴ Columbia anticipates proposing a roll-in of its SMRP Rider into base rates as part of its upcoming rate adjustment filing. Because Columbia will be using a forecasted test year per KRS 278.192, this will likely eliminate the need for an SMRP Rider filing for October 2021 as well as a March 2023 Balancing Adjustment filing. If a roll-in is approved, Columbia's next SMRP filing after the March 2022 Balancing Adjustment would be in October 2022 for work to be performed in 2023.

granted to: 1) either reset the rates effective July 1, 2021 so that all twelve months of SMRP expense may be recovered in 2021; or 2) alternatively, confirm that the significant under-recovery anticipated as a result of the delayed effectiveness of the 2021 SMRP rates may be included in its 2022 Balancing Adjustment filing.

This 19th day of May, 2021.

Respectfully submitted,

/s/ Joseph M. Clark

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