

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS)	
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF)	Case No.
RATES; APPROVAL OF DEPRECIATION STUDY;)	2021-00183
APPROVAL OF TARIFF REVISIONS; ISSUANCE)	
OF A CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY; AND OTHER RELIEF)	

**ATTORNEY GENERAL’S POST-HEARING MEMORANDUM BRIEF IN SUPPORT
OF THE TENDERED SETTLEMENT**

The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“AG”), submits the following Post-Hearing Memorandum Brief in Support of the parties’ tendered settlement in the above-styled matter.

On May 28, 2021, Columbia Gas of Kentucky, Inc. (“CGK” or “the Company”) filed its application in the above-styled matter. On June 4, 2021, the AG filed his motion to intervene, which was granted on June 9, 2021. On July 1, 2021, the Kentucky Industrial Utility Customers (“KIUC”) filed its motion to intervene, which was granted on July 28, 2021. Following multiple rounds of discovery from both the AG and Commission Staff, the AG on September 8, 2021 and September 10, 2021, filed his written direct testimony. Both Commission Staff and CGK submitted data requests to the AG on September 27, 2021 and September 29, 2021, respectively, to which the AG filed responses on October 13, 2021. During September and October of 2021, the AG, KIUC and CGK (jointly, “the parties”), representing diverse interests and viewpoints, conducted settlement discussions which led to a full and complete settlement of all issues in this proceeding, as memorialized in the Joint

Stipulation, Settlement Agreement and Recommendation (“Stipulation”) filed on October 26, 2021 in this matter. An evidentiary hearing was held on November 2, 2021.

The AG believes that the tendered Stipulation represents the best, and most reasonable resolution of all issues in this proceeding. In particular, the AG highlights, below, some of the particular reasons why he believes the Stipulation is good for ratepayers, and why the Commission should adopt it in its entirety.

Return on Equity and Three-Year Stay-Out

The 9.35% overall return on equity (“ROE”), and the 9.275% ROE applicable to natural gas riders such as the Company’s SMRP rider agreed to in the Stipulation are markedly reduced from the Company’s original position filed in its application, which sought a 10.30% overall ROE. The parties believe the stipulated 9.35% overall ROE is justified because of the Company’s efficient management, and its commitment to a three-year base rate case stay-out. Under the Stipulation, absent extraordinary circumstances, the Company cannot file an application for new base rates to take effect before January 1, 2025. The rate stability provided by this three-year stay-out is important and could not result from a litigated proceeding.

Revenue Requirements

The Stipulation’s agreed-upon revenue requirement adjustments reduced CGK’s rate increase by 30.3%, from the Company’s original position of approximately \$26.7 million to the stipulated \$18.6 million. The AG believes that although the Stipulation did not adopt every revenue adjustment for which he advocated, nonetheless a 30.3% reduction from the filed application is very significant, and warrants the Commission’s careful consideration. Under the Stipulation’s terms, residential customers of average consumption will have an

increase of approximately 12.4%, which is fair, just and reasonable, especially when contrasted with the approximate 18.11% increase that would have occurred if the Company's application had been approved in its entirety. When the effect of the three-year stay-out period is considered, the increase will average about 4% for each of those years for residential customers, which is less than the rate of inflation.

Monthly Customer Charge

Pending the Commission's approval of the Stipulation, residential customers' monthly customer charge will be reduced from the Company's original request of \$29.20 to only \$19.75 per month, a reduction of 32.3%. Given that the Stipulation places a greater portion of the proposed rate increase on the volumetric component of the rate, residential customers will have greater incentive to conserve gas than would have occurred under the company's original proposal set forth in its application. This in turn will lead to even greater savings on residential customers' bills.

O & M Adjustment

While the Stipulation calls for a very significant reduction in O&M spending of over \$2 million, it will also allow for two new safety programs to be implemented: the cross-bore program, and the Picarro leak detection system, both of which would be subject to annual reporting requirements. Despite the projected costs of these new programs, there would still be a net reduction in O&M spending of approximately \$900,000. This provision therefore balances customers' need to control costs, while still maintaining overall system safety.

WHEREFORE, the Attorney General urges the Commission to adopt the tendered Stipulation in its entirety, as he believes it is fair, just and reasonable and in the best interests of CGK's ratepayers.

Respectfully submitted,

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ATTORNEY GENERAL



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Certificate of Service

Pursuant to the Commission's Order dated July 22, 2021 in Case No. 2020-00085, and in accord with all other applicable law, Counsel certifies that an electronic copy of the forgoing was served and filed by e-mail to the parties of record.

This 19th day of November, 2021



Assistant Attorney General