

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION OF THE IMPACT )	
OF THE TAX CUTS AND JOB ACT ON THE RATES )	CASE NO.
OF COLUMBIA GAS OF KENTUCKY, INC. )	2018-00041

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas Of Kentucky, Inc. ("Columbia Gas"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before March 27, 2018. Responses to requests for information in paper medium 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 the 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.

Columbia Gas shall make timely amendment to any prior response if it obtains information that 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 Columbia Gas fails or refuses to furnish all or part of the requested information, it shall provide a

written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When filing a paper containing personal information, Columbia Gas shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide Columbia Gas's income statement, balance sheet, and statement of retained earnings for the calendar year ending December 31, 2017.

2. Provide Columbia Gas's Net Investment Rate Base and Capital Structure for the calendar year ending December 31, 2017. Provide all supporting work papers, assumptions, and calculations.

3. Using the financial information provided in the responses to Items 1 and 2, calculate:

a. Columbia Gas's actual Return on Equity (income available to common shareholders divided by common equity) for the calendar year ending December 31, 2017.

b. Columbia Gas's average cost of long-term debt for the calendar year ending December 31, 2017.

c. Columbia Gas's average cost of short-term debt for the calendar year ending December 31, 2017.

d. Provide all supporting work papers, assumptions, and calculations.

4. Using the Capital Structure provided in the response to Item 2 and the return/interest rates calculated in the response to Item 3, fill out the table below:

Component of Capitalization	Per Books 12/31/17	Ratios	Actual Rates	Average Weighted Cost
Short-Term Debt				
Long-Term Debt				
Preferred Stock				
Common Equity				
Total Capitalization	\$ -	0.000%		0.0000%

5. Using the table below, provide the calculation of the gross revenue conversion factor (“GRCF”) including a 35 percent Federal Income Tax (“FIT”) rate.

Line #	Description	Rates	State	Federal
1	Operating Revenue		100.000000%	100.000000%
2	Less: Uncollectible Expense			
3	Less: PSC Assessment			
4	Less: Production Activities Deduction State			
5				
6	Income before State Income Tax		100.000000%	100.000000%
7	State Income Tax		0.000000%	0.000000%
8				
9	Income before Federal Income Tax			100.000000%
10	Federal Income Tax			0.000000%
11				
12	Operating Income Percentage (Line 9 - Line 10)			100.000000%
13				
14	Gross Revenue Conversion FACTOR (Line 1 / Line 12)			1.000000
15				
16	Composite Income Tax Rate (Line 7 + Line 10)			0.000000%
17				
18	Common Equity Gross-up (Line 16 / (1 - Line 16))			0.000000%

6. Using the table below, provide the calculation of the GRCF including a 21 percent FIT rate:

Line #	Description	Rates	State	Federal
1	Operating Revenue		100.000000%	100.000000%
2	Less: Uncollectible Expense			
3	Less: PSC Assessment			
4	Less: Production Activities Deduction State			
5				
6	Income before State Income Tax		100.000000%	100.000000%
7	State Income Tax		0.000000%	0.000000%
8				
9	Income before Federal Income Tax			100.000000%
10	Federal Income Tax			0.000000%
11				
12	Operating Income Percentage (Line 9 - Line 10)			100.000000%
13				
14	Gross Revenue Conversion FACTOR (Line 1 / Line 12)			1.000000
15				
16	Composite Income Tax Rate (Line 7 + Line 10)			0.000000%
17				
18	Common Equity Gross-up (Line 16 / (1 - Line 16))			0.000000%

7. Using the table below, calculate the weighted average cost of capital (“WACC”) with a 35 percent FIT rate and WACC with a 21 percent FIT rate.

Component of Capitalization	Average Weighted Cost	Adjusted Weighted Cost of Capital to Reflect 35% Fed. Tax Rate		Adjusted Weighted Cost of Capital to Reflect 21% Fed. Tax Rate	
		Equity Gross-up	Adj. Cost	Equity Gross-up	Adj. Cost
Short-Term Debt			0.00%		0.00%
Long-Term Debt			0.00%		0.00%
Preferred Stock			0.00%		0.00%
Common Equity			0.00%		0.00%
Total Capitalization	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%

8. Refer to the Prepared Direct Testimony of Megan N. Garber (“Garber Testimony”) on Behalf of Columbia Gas, pages 3–4. Explain in detail why Columbia Gas is unable to calculate the impact of the Tax Cuts and Jobs Act to its excess accumulated deferred income taxes (“ADIT”) with certainty at this time.

9. Using Columbia Gas's responses to this Request for Information and the table below, provide the revenue reduction resulting from the decrease in the FIT rate from 35 percent to 21 percent.

Line No.	Description	35% Federal Income Tax Rate	21% Federal Income Tax Rate	Revenue Impact
1	Net Investment Rate Base			
2	Returns Adjusted For Income Taxes			
3				
4	Required Annual Operating Income Before Taxes (Line 1 x Line 2)	\$ -	\$ -	\$ -
5				
6	Amortization Of Excess ADIT (Protected) - Using Aram			
7	Amortization Of Excess ADIT (Unprotected)			
8				
9	Total Amortization Of Excess ADIT (Line 6 + Line 7)		-	
10	Gross-Up Factor Using 21% Federal Tax Rate			
11				
11	Total Reduction In Deferred Income Tax Expense (Line 9 x Line 10)			-
12				
13	Total Reduction In Revenue Requirements (Line 4 + Line 11)			\$ -

If Columbia Gas lacks sufficient information to apply the ARAM method, please instead use the Reverse South Georgia Method to calculate the amortization of excess protected ADIT in Line 6 of the above table. If estimates and assumptions were made to calculate the amounts identified in response to this Item, please identify and describe any estimates and assumptions.

10. Using Columbia Gas's responses to this Request for Information and the table below, provide the revenue reduction resulting from the decrease in the FIT rate from 35 percent to 21 percent.

Line No.	Description	35% Federal Income Tax Rate	21% Federal Income Tax Rate	Revenue Impact
1	Capitalization			
2	Returns Adjusted For Income Taxes			
3				
4	Required Annual Operating Income Before Taxes (Line 1 x Line 2)	\$ -	\$ -	\$ -
5				
6	Amortization Of Excess ADIT (Protected) - Using Aram			
7	Amortization Of Excess ADIT (Unprotected)			
8				
9	Total Amortization Of Excess ADIT (Line 6 + Line 7)		-	
10	Gross-Up Factor Using 21% Federal Tax Rate			
11				
11	Total Reduction In Deferred Income Tax Expense (Line 9 x Line 10)			-
12				
13	Total Reduction In Revenue Requirements (Line 4 + Line 11)			\$ -

11. Provide monthly sales and revenues recorded in 2017 by customer class.

12. Provide schedules reflecting both a 5-year and a 15-year amortization period for Columbia Gas's unprotected excess ADIT and the impact each amortization period would have on Columbia Gas's revenue requirement.

13. Explain whether any of the expenses charged to Columbia Gas by its affiliates in the test year contain any FIT implications. If so, state whether Columbia Gas addressed the impacts on its revenue requirements. If not, provide the impact of the FIT implications on Columbia Gas's test-year expense and revenue requirement.

14. Have any of Columbia Gas's affiliates resolved or are in process of settling the impact of the Tax Cuts and Job Act on rates in other states. If so, provide the amortization period(s) established for the unprotected excess ADIT.

15. State whether Columbia Gas has received any letter or written opinion from the Internal Revenue Service since January 1, 2010, regarding the treatment of Columbia Gas's excess ADIT and, if so, provide a copy of the letter or written opinion.

16. Provide any letters or written opinions prepared by the Internal Revenue Service and relied on by Columbia Gas or its agents to calculate Columbia Gas's excess ADIT or to determine how the excess ADIT may be reimbursed to ratepayers under federal tax law, regardless of whether those letters or written opinions were prepared for or at the request of Columbia Gas.

17. If Columbia Gas's fiscal year is different from 2017, provide the fiscal year and identify and describe any effect that a non-calendar fiscal year has on the calculation of excess ADIT.

18. Provide the maximum total amount of excess protected ADIT that Columbia Gas contends may be reimbursed to ratepayers annually in 2018 and for each year thereafter through 2033 using the ARAM method. If Columbia Gas is not able to apply the ARAM method because it lacks the relevant information, please separately provide the maximum total amount of excess protected ADIT that Columbia Gas contends may be reimbursed to ratepayers annually in 2018 and for each year thereafter through 2033 using the Reverse South Georgia Method.

19. Identify any assets, property, accounts the depreciation of which gave rise to protected excess ADIT and:

a. Provide the extent to which such assets, property, and accounts were depreciated as of December 31, 2017, in terms of percentage and total value;

b. Provide the annual depreciation schedule for each such asset, piece of property, and account for tax and regulatory purposes through 2034;

c. Provide the excess ADIT that arose from the depreciation of each such asset, property, and account as of January 1, 2018;

d. Provide the total ADIT, including excess ADIT and ADIT, that is not excess, attributable to each such property or vintage account as of December 31, 2017;

e. Identify and provide any other information used to calculate the maximum protected excess ADIT that may be reimbursed to ratepayers in 2018 through 2033 using the ARAM method;

f. If the information necessary to use the ARAM method is not available, please explain the method and basis for your calculation in response to the preceding Item; and

g. If estimates and assumptions were made to calculate the response to the preceding Item, please identify and describe any estimates and assumptions.

20. Identify and describe the source of all unprotected excess ADIT, and if any excess unprotected ADIT arose from the depreciation of any property or account, please state the extent to which such property or account was depreciated as of December 31, 2017, in percentage terms and total value; identify the date on which each would be fully depreciated based on the current regulatory depreciation schedule, and identify the excess unprotected ADIT attributable to each such property or account as of January 1, 2018.

21. Refer to the Prepared Direct Testimony of Chun-Yi Lai on Behalf of Columbia Gas, page 6, lines 5 through 8. Provide the record kept of the regulatory liability described therein.

22. Refer to the Garber Testimony, page 5, lines 1 through 6. When does Columbia Gas anticipate providing the calculations referenced, and what contingencies will affect the timing of providing these calculations?



23. Refer to the Garber Testimony, page 6, lines 7 through 13. Has Columbia formally requested an Issue Resolution Agreement at this time? If so, please provide a copy of this request and any response.

24. Provide copies of all schedules provided in the responses, supporting calculations, and documentation in Excel spreadsheet format with formulas intact and unprotected, and all rows and columns fully accessible.



Gwen R. Pinson  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED MAR 13 2018

cc: Parties of Record

Case No. 2018-00041

\*Brooke E Wancheck  
Assistant General Counsel  
Columbia Gas of Kentucky, Inc.  
290 W. Nationwide Blvd.  
Columbus, OHIO 43215

\*Rebecca W Goodman  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Cheryl A MacDonald  
Columbia Gas of Kentucky, Inc.  
290 W. Nationwide Blvd.  
Columbus, OHIO 43215

\*Judy M Cooper  
Director, Regulatory Services  
Columbia Gas of Kentucky, Inc.  
2001 Mercer Road  
P. O. Box 14241  
Lexington, KY 40512-4241

\*Justin M. McNeil  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Kent Chandler  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Larry Cook  
Assistant Attorney General  
Office of the Attorney General Office of Rate  
700 Capitol Avenue  
Suite 20  
Frankfort, KENTUCKY 40601-8204

\*Columbia Gas of Kentucky, Inc.  
290 W Nationwide Blvd  
Columbus, OH 43215