

In response to the Commission Staff Data Request dated July 30, 2019, in this docket, CGC provides the following responses. Please advise if you need any further information.

Request 1. Please reference Page 4, Paragraph a “....will be fixed at the rates assumed in the last general rate case....” Explain with specificity the meaning of “assumed” as used in this paragraph.

CGC Response: In this context, “assumed” means, and it should have been, “authorized.”

Request 2. Please provide a narrative description of “Rate Reset Normalization Adjustments – Non-Weather Adjustments” and how they are applied in the ARM calculations.

CGC Response:

There are nine Rate Reset Normalization Adjustments-Non-Weather Adjustments as shown on ARM Schedule 28. Three adjustments are applicable to the Income Statement used in the calculation of the “Annual True-Up Revenue Requirement Rate Adjustment” or “Annual Rate Reset” and six adjustments are to the Rate Base used in the “Annual True-Up Revenue Requirement Rate Adjustment” or “Annual Rate Reset.”

As indicated by the name, these normalization adjustments are not made to address the impact of abnormal weather. Rather, they are made to reflect the normal level of expense or investment on an ongoing basis so as to not unnecessarily skew results on a year to year basis. These adjustments are not included in the determination of any earnings excess or deficiency for the Historic Base Period but are applicable only in computing the revenue excess or deficiency on a going-forward basis. The calculation of the Historic Base Period earnings excess or deficiency is based on the actual level of ratemaking revenue, expense, and investments.

The Income Statement adjustments are reflected on Schedule 5, “Income Statement Historic Base Period” in the column titled “Annual True-Up Revenue Requirement Rate Adjustment,” and the Rate Base Adjustments are reflected on Schedule 2, “Rate Base” in the column titled “Annual True-Up Rate Adjustment Rate Base.”

The nine specific adjustments are more particularly described as follows:

Other Revenue Adjustment. The level of “Other Revenues” included in the Income Statement for the Annual Rate Reset is adjusted to equal the average of the Historic Base Period and the previous three years for a total of four years as the amount that would be expected in a normal year. (See the January 15, 2019, Amended Order in Docket 18-00017, at page 16.)

Uncollectible Expense. The level of “Uncollectible Expense” included in the Income Statement for the Annual Rate Reset is adjusted to equal the average of the Historic Base Period and the

previous four years for a total of five years as the amount that would be expected in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 27.)

Depreciation. The level of “Depreciation Expense” included in the Income Statement for the Annual Rate Reset is adjusted to equal the depreciation expense computed on the plant in service at the end of the Historic Base Period. (*See* ARM Schedule 14, and Stipulation and Settlement Agreement paragraph 12h). The use of the end of period plant balance to compute depreciation provides a better matching of the depreciation expense to the next review period.

Material and Supplies. The “Material and Supplies” balance is adjusted to equal to the average of the Historic Base Period and the previous two years. This balance is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 53.)

Prepayments. The “Prepayments” balance is adjusted to equal to the average of the Historic Base Period and previous two years (the three-year average). This balance of the prepayments is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 53.)

Gas Inventory. The “Stored Gas Inventory” balance is adjusted to equal to the average of the Historic Base Period and previous two years (the three-year average). This balance of the investment in stored gas is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 53.)

Reserve for Uncollectibles. The “Reserve for Uncollectibles” account balance is adjusted to equal to the average of the Historic Base Period and previous two years (the three-year average). This balance is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 53.)

Reserve for Health Insurance. The “Reserve for Health Insurance” account balance is adjusted to equal to the average of the Historic Base Period and previous two years (the three-year average). This balance is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 56.)

Other Reserves. The “Other Reserves” account balance is adjusted to equal to the average of the Historic Base Period and previous two years (the three-year average). This balance is subject to fluctuation from year to year. The use of an average historic balance is used to project the balance that would occur in a normal year. (*See* the January 15, 2019, Amended Order in Docket 18-00017, at page 56.)