

February 20, 2012

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

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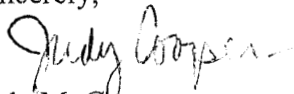
Re: Columbia Gas of Kentucky, Inc.  
Case No. 2012-00016

Dear Mr. Derouen:

Columbia Gas of Kentucky, Inc. ("Columbia") hereby encloses, for filing with the Commission, an original and ten (10) copies of its Response to Commission Staff's First Request for Information dated February 6, 2012.

Please feel free to contact me at [jmcoop@nisource.com](mailto:jmcoop@nisource.com) or 859-288-0242 if there are any questions.

Sincerely,



Judy M. Cooper  
Director, Regulatory Policy

Enclosures

**COLUMBIA GAS OF KENTUCKY, INC.  
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION  
DATED FEBRUARY 6, 2012**

**Data Request No. 1:**

Refer to Columbia's January 26, 2012 Request for Authority to Deviate from Certain Provisions of its Tariff.

- a. Explain why Columbia wants to defer refunding the \$1,147,657 over-recovery plus interest as set out in the calculation of its Energy Efficiency/Conservation Program Balancing Adjustment ("EECPBA) in Attachment A of its January 12, 2012 Application ("Application").
- b. Explain why it is reasonable for Columbia to retain funds collected from its ratepayers for an additional 12 months rather than refund them as required by its Energy Efficiency and Conservation Rider tariff.

**Response:**

Columbia's application to deviate from the EECPBA calculation is the result of a meeting of its DSM Collaborative ("Collaborative"), which was attended by The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, the Community Action Council ("CAC") for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc., Interstate Gas Supply, Inc., Stand Energy Corporation, and Columbia. The DSM Collaborative was established pursuant to the Commission's Order of October 26, 2009 in Case No. 2009-00141.

At the Collaborative meeting, the results of the first two years of Columbia's DSM program were reviewed. See the attachment hereto. Columbia expressed an opinion that the credit produced by the EECPPBA could potentially limit customer participation in the third year of the program and negatively impact customer perceptions of energy efficiency. The pros and cons of the impact of the EECPPBA and specific aspects regarding participation and operation of each of the three individual components of the program were discussed.

Low-Income Furnace Replacements were the first of the three components of the program available to customers in the first year of the program. Participation has not yet met the anticipated level of 140 per year, most likely due to the overshadowing abundance of federal stimulus dollars and coordination with some providers. The under-utilization of the replacement program could be resolved in 2012 with the expiration of federal stimulus dollars, improvements in provider availability and coordination, and a known pent-up demand among eligible customers. The Collaborative agreed that Columbia and CAC should modify its procedures to focus on increasing customer participation.

Home Energy Audits were the second component of the program available to customers in the first year of the program. Customers that have taken advantage of the audit have expressed high satisfaction, but the number of customers participating is lagging expectations. Columbia would like to better understand and evaluate this dichotomy, so that participation perhaps can be improved.

The last component of the program, Appliance Rebates, began issuing rebates in the fourth quarter of 2010 and has been well received by customers. It is

possible that participation in 2012 could exceed the original annual expectations, as occurred in 2011.

Recognizing that program start-up costs and implementation are time-consuming, but necessary precedents to customer participation and that repeat messaging is often necessary to achieve desired actions, the consensus of the Collaborative was that Columbia should request a waiver of the EECPPBA so that it would be authorized to utilize a full three years to spend the three-year budget and to maintain continuity in both program availability and rate. Columbia would manage the overall budget equivalent to the three-year anticipated spend, but individual components could vary based upon customer demand. This was the recommendation Columbia brought to the Informal Conference with Commission Staff on January 23, 2012, and was confirmed by those Collaborative members in attendance.

Columbia was previously authorized to carry the program balance from the first year forward into year two and doing the same for year three would mean that the Energy Efficiency/Conservation Program Recovery Component would remain at its current rate.

## WarmWise Energy Efficiency Program Summary Calendar Yrs. End 2010 and 2011

### WarmWise Program Calendar Year End 2010

|  |                               |                  |
|--|-------------------------------|------------------|
| • Low-Income Furnace Replacement Program |                               |                  |
| ○ 48 Furnaces Replaced                   |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$106,350</b> |
| ▪ Furnace Replacement                    | 101,598                       |                  |
| ▪ Customer Awareness                     | 4,752                         |                  |
| • Appliance Rebate Program               |                               |                  |
| ○ -0- Rebates                            |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$ 57,779</b> |
| ▪ Customer Awareness                     | 49,398                        |                  |
| ▪ Administration                         | 8,381                         |                  |
| • Home Energy Audit Program              |                               |                  |
| ○ 212 Audits Completed                   |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$ 69,753</b> |
| ▪ Audits                                 | 32,150                        |                  |
| ▪ Customer Awareness                     | 28,276                        |                  |
| ▪ Prog. Supplies & Administr.            | 9,327                         |                  |
|  | <b>Grand Total Spent 2010</b> | <b>\$233,882</b> |

### WarmWise Program Calendar Year End 2011

|  |                               |                  |
|--|-------------------------------|------------------|
| • Low-Income Furnace Replacement Program |                               |                  |
| ○ 63 Furnaces Replaced                   |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$128,939</b> |
| ▪ Furnace Replacement                    | 127,410                       |                  |
| ▪ Customer Awareness                     | 1,529                         |                  |
| • Appliance Rebate Program               |                               |                  |
| ○ Rebates for 1,680 Units                |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$656,326</b> |
| ▪ Funding for Rebate Debit Cards         | 592,970                       |                  |
| ▪ Administration                         | 45,311                        |                  |
| ▪ Customer Awareness                     | 18,045                        |                  |
| • Home Energy Audit Program              |                               |                  |
| ○ 250 Audits Completed                   |                               |                  |
| ○ Total Program Cost                     |                               | <b>\$163,157</b> |
| ▪ Audits Performed                       | 37,650                        |                  |
| ▪ Customer Awareness                     | 119,153                       |                  |
| ▪ Prog. Supplies & Administr.            | 6,354                         |                  |
|  | <b>Grand Total Spent 2011</b> | <b>\$948,422</b> |

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**  
**DATED FEBRUARY 6, 2012**

**Data Request No. 2:**

Refer to page 1 of Columbia's Application, and Columbia's statement that it worked to ramp up its Demand-Side Management ("DSM") program in 2011, and that it anticipates greater spending in 2012.

- a. Provide copies of Columbia's DSM budget and work plan for 2012.
- b. Provide detailed estimates of the amounts Columbia and its DSM Collaborative expect to spend on each DSM program in 2012.
- c. Assuming that the spending estimates detailed in the response to part b. above actually materialize, provide an estimate of the EECPPA to be included in Columbia's next annual report due January 1, 2013

**Response:**

- a. Please see attached.
- b. Refer to response to a., above.
- c. Assuming that the spending estimates above actually materialize, the EECPPA to be included in Columbia's next annual report should no longer reflect a credit and should approximate zero.

**WarmWise Energy Efficiency Program Budget**

**WarmWise Program Calendar Year End 2012**

**Low-Income Furnace Replacements**

|                                     |         |            |
|-------------------------------------|---------|------------|
| ○ Remaining budget from prior years | 380,711 |            |
| ○ Annual budget                     | 308,000 |            |
| TOTAL                               |         | \$688,711* |

**Home Energy Audits**

|                                     |         |            |
|-------------------------------------|---------|------------|
| ○ Remaining budget from prior years | 167,090 |            |
| ○ Annual budget                     | 200,000 |            |
| TOTAL                               |         | \$367,090* |

**Appliance Rebates**

|                                     |         |            |
|-------------------------------------|---------|------------|
| ○ Remaining budget from prior years | 85,895  |            |
| ○ Annual budget                     | 400,000 |            |
| TOTAL                               |         | \$485,895* |

**Grand Total Spend 2012\*** **\$1,541,696**

\*Individual Totals may vary based upon customer demand