Columbia Gas of Kentucky
A NiSource Company
200 Civic Center Drive
Columbus, Ohio 43215

August 28, 2013

RECEIVED
AUG 28 2013
PUBLIC SERVICE COMMISSION

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

RE: In the matter of adjustment of rates of Columbia Gas of Kentucky, Inc., KY PSC Case No. 2013-00167

Dear Mr. Derouen,

Enclosed for docketing with the Commission are an original and eight (8) copies of Columbia Gas of Kentucky, Inc.'s Responses to the Kentucky Public Service Commission's Data Requests Set Three. Should you have any questions about this filing, please contact me at 614-460-5558.

Very truly yours,

Brooke E. Leslie

Brooke E. Leslie
Senior Counsel

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of adjustment of rates of)
Columbia Gas of Kentucky, Inc.) Case No. 2013-00167

CERTIFICATION OF RESPONSES TO INFORMATION REQUESTS

This is to certify that I have supervised the preparation of Columbia Gas of Kentucky, Inc.'s August 28, 2013 responses to the Public Service Commission Staff's Third Set of Information Requests dated August 15, 2013 and that the responses are true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.

Date: 8-28-13

Brooke E. Leslie

Brooke E. Leslie
Senior Counsel
Columbia Gas of Kentucky, Inc.

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing *Columbia Gas of Kentucky, Inc.'s Responses to the Public Service Commission Staff's Third Set of Data Requests* by U.P.S Ground, postage prepaid, to the parties on this 28th day of August, 2013.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

1. Refer to the table filed in response to Item 5.a. of Commission Staff's Second Request for Information ("Staff's Second Request"); Volume 8 of the application, Tab M, Schedule M 2.1; and the CD filed in response to Item 264 of the Attorney General's First Information Request, File "CKY 2013 Rate Case AG DR Set No. 1 264 Attachment A.xls," the Class Revenue Worksheet tab.

    a. The table filed in response to Item 5.a. provides eight rate classes that are included in the GS-RES category. The Class Revenue Worksheet shows a proposed revenue change for the GS-RES category of $11,858,770. Schedule M2.1 shows that of the eight individual rate classes listed in the GS-RES category, Columbia is proposing increases only to the GRS and GTR classes. Explain why Columbia is not proposing an increase to the other rate classes listed in this category.

b. The table filed in response to Item 5.a. provides five rate classes that are included in the GS-OTHER category. The Class Revenue Worksheet shows a proposed revenue change for the GS-OTHER category of $4,454,309. Schedule M2.1 shows that of the five individual rate classes listed in the GS-OTHER category, Columbia is proposing increases only to the GSO and GTO classes. Explain why Columbia is not proposing an increase to the other rate classes listed in this category.

c. The Class Revenue Worksheet shows no proposed revenue change for the DS-ML/SC category. The table filed in response to Item 5 shows that Rate GDS is included in the DS-ML/SC category. However, Schedule M 2.1 shows a proposed increase for GDS-Commercial of $180,718 and an increase of $122,545 for GDS-Industrial. Explain the discrepancy.

Response:

a. The designated "rate classes," IN3, IN4, LG2, LG3 and LG4, are not served under Columbia's GS-Residential rate schedule. Rather, the service is provided to customers under a special contract arrangement. The contract specifies the rate for service and, thus, could not be changed in this rate case.

b. The designated "rate classes," G1C, IN3, IN4, LG2 are not served under Columbia's GS-Other rate schedule. Rather, the service is provided to customers under a special contract arrangement. The contract specifies the rate for service and, thus, could not be changed in this rate case.

c. Rate GDS was listed in the DS-ML/SC category in error in the table filed in response to Item 5.a. of Commission Staff's Second Request for Information and should have been listed in the GS-Other category. Also, FX2 was listed in the DS-ML/SC category in error in the table filed in the same response and should have been listed in the DS/IS category. A corrected Item 5.a. of Commission Staff's Second Request for Information Table 1 is provided below.

Table 1 *CORRECTED*

Rate Category	**Individual Rate Classes**
GS-Res	GRS, G1R, IN3, IN4, LG2, LG3, LG4, GTR
GS-Other	GSO, G1C, IN3, LG2, GTO, GDS
IUS	IUS
DS-ML/SC	DS3, FX5, FX7, SAS
DS/IS	IS, DS, FX1, FX2,SC3

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

2. Refer to the response to Item 5.c. of Staff's Second Request and the Functions tab of the "Columbia COS Model-2013-Design Day.xls" spreadsheet referenced in this response. State whether the amounts shown in column E of rows 543-567 represent the amount of salary and wages allocated to the accounts listed in column C. If no, provide the origin of the amounts and what they represent.

Response:

The amounts in column E of rows 543 – 567 represent Columbia's fully adjusted net labor expense by FERC account for the forecasted test period.

Columbia budgets O&M expenses by cost element and not by FERC account. Cost elements define the type of resources used, such as labor. The distribution of the labor expense budget to each FERC account is an allocation based on an historic trend. Specifically, Columbia looked at actual O&M expenses by cost element by FERC account for the twelve months ending

December 31, 2012. The percentage of labor expense charged to each FERC account was calculated and applied to budgeted labor expense for the forecasted test period to arrive at an allocation of the labor expense budget to FERC accounts. An additional adjustment to labor expense was made on Schedule D-2.4 to arrive at the fully adjusted net labor expense by FERC account.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

3. Refer to the response to Item 5.e. of Staff's Second Request. State whether the response indicates that a correction should be made to the cost of service studies and provide the effect that this correction would have on the studies.

Response:

A correction to Columbia's cost of service studies should be made to align the allocation of depreciation expense and depreciation reserve with the allocation of Account No. 375. While this was an inadvertent error, the effect on the cost of service studies is minimal, and it has no impact on the proposed class revenue increase presented by Columbia in this rate case. Please see Attachment Staff-3-003 for the effect that this correction has on the class rates of return in Columbia's cost of service studies.

Effect of Correction to Depreciation Reserve and Depreciation Expense Allocation for Account No. 375

Design Day Cost of Service Study					
	GS-RES.	GS-OTHER	IUS	DS-ML/SC	DS/IS
Original Filed Cost of Service Study - Rate of Return	-1.52%	11.68%	-9.16%	894.63%	189.01%
Corrected for Revised Allocation - Rate of Return	-1.55%	11.58%	-9.38%	914.00%	184.47%

Peak & Average Cost of Service Study					
	GS-RES.	GS-OTHER	IUS	DS-ML/SC	DS/IS
Original Filed Cost of Service Study - Rate of Return	1.26%	8.46%	-10.10%	363.36%	4.11%
Corrected for Revised Allocation - Rate of Return	1.26%	8.43%	-10.33%	370.93%	4.09%

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

4. Refer to Tab 59 of the application, Schedule 2, pages 39 and 40 of 144, and Schedule 4, page 6 of 16. Schedule 4, page 6 of 16 shows the DISTPT classification allocation percentages. The Demand percentage of 25.16 percent was calculated by dividing $88,323,227 by $351,034,820 and the Customer percentage of 74.84 percent was calculated by dividing $262,711,593 by $351,034,820. The $351,034,820 represents total utility plant of $356,153,997 minus general plant of $5,119,177 found on pages 39 and 40 of Schedule 2. Likewise, the $88,323,227 and the $262,711,593 represent the same calculation but using the Demand and Customer columns, respectively. However, several of the various plant accounts included in the totals are allocated using the DISTPT allocation factor. Explain how the various plant accounts can be allocated using the DISTPT allocation factors when the DISTPT allocation factor itself is calculated using the total of the plant account allocations (i.e., how is the calculation not circular?).

Response:

The calculation of the DISTPT allocation factor within Columbia's cost of service studies is based on an iterative process. The Black & Veatch Cost of Service computer model performs a series of iterations to solve for the DISTPT allocation factor, as well as for other internally generated allocation factors. This is a common feature of the Black & Veatch Cost of Service model, and other similar costing models.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

5. Refer to the response to Item 7 of Staffs Second Request and Volume 8, Tab I, Schedule 1-1 of Columbia's application.

   a. Explain in detail why it is appropriate to make an adjustment to remove all revenue from off-system sales from the forecasted test period.

   b. For each calendar year from 2008 to 2012 as shown on Schedule I-1, provide a breakdown of the Other Revenue on Line 4, which, at minimum, identifies separately the amounts recorded as unbilled revenue and revenue from off system sales.

Response:

(a.) In part, the intent of the response to Item 7 of Staff's Second Request was to show that Columbia does not forecast off-system sales revenue. The amount of off-system sales revenue recorded during the six actual months of the base period was $5,701,218 and the amount included in the forecasted test period was zero. As such, the adjustment for off-system sales is ($5,701,218) of the total ($10,379,987) adjustment between the base period and forecasted period level of Other Gas Revenue. Columbia does not forecast off-system sales revenue because the level of off-system sales is unpredictable and it has no impact on Columbia's revenue deficiency in a rate case. Off-system sales revenues recorded above the line are equally offset by the cost of those sales which are included as part of Columbia's Gas Cost Adjustment mechanism. For example, the off-system sales revenues of $5,701,218 recorded during the six actual months of the base period were offset with $5,701,218 of off-system sales gas cost expenses.

(b.) The table below shows the amount of off-system and unbilled sales in Schedule I-1.

Description	2008	2009	2010	2011	2012
Gas Service	174,502,008	139,199,135	96,493,450	101,639,269	77,752,483
Unbilled Sales	4,721,004	(8,749,997)	3,916,007	(4,306,991)	(389,995)
Total (Sch. I-1, Line 2)	179,223,012	130,449,138	100,409,457	97,332,278	77,362,488
Transportation	17,555,928	18,654,544	18,596,984	19,897,783	19,353,985
Trans. Unbilled	69,009	439,012	35,012	(244,989)	55,012
Total (Sch. I-1, Line 3)	17,624,937	19,093,556	18,631,996	19,652,794	19,408,997
Off-system sales	10,897,017	6,081,572	16,694,101	27,039,607	3,168,871
Other Revenue	683,915	702,473	1,053,580	1,289,454	1,145,094
Total (Sch. I-1, Line 4)	11,580,932	6,784,045	17,747,681	28,329,061	4,313,965

Total (Sch. I-1, Line 5)	208,428,881	156,326,739	136,789,134	145,314,133	101,085,450

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

6. Refer to the response to Item 9.a. of Staffs Second Request, which states, "[t]he Kentucky Gas Association and the Southern Gas Association do not identify a percentage related to lobbying."

   a. State whether the cost associated with approximately 3 percent of the American Gas Association activities related to lobbying activities is reflected in adjustment 9 shown on schedule D-2.4, sheet 2 of 2.

   b. Provide a breakdown, showing the amount and who the amount was paid to, of the $52,473 shown as Adjustment 9 on Schedule D-2.4, Sheet 2 of 2.

   c. State whether Columbia believes that the Kentucky Gas Association and the Southern Gas Association engage in lobbying activities on behalf of Columbia.

   d. If the answer to c. is yes, provide any documentation that Columbia has to demonstrate that the Kentucky Gas Association and

Southern Gas Association lobbying activities are funded from sources other than Columbia's dues.

e. State whether Columbia has ever requested from the Kentucky Gas Association and the Southern Gas Association the amount of its dues that is associated with lobbying activities. If yes, provide the amount or percentage amount.

f. State whether Columbia periodically receives financial statements from the Kentucky Gas Association and the Southern Gas Association.

g. If the answer to f. is yes, state whether those financial statements indicate sources of funds and uses of funds.

Response:

a. The cost associated with approximately 3 percent of American Gas Association activities related to lobbying activities is not reflected in Schedule D-2.4, adjustment 9.

b. The breakdown of the $52,473 shown on Schedule D-2.4, adjustment 9 is as follows: (1) John C. B. Marquette, Director of Governmental Affairs for Columbia – salary of $21,346; expenses of $4,127 and (2) Whitehouse Riddle outside consulting services - $27,000.

c. Columbia is unaware of any lobbying by the Kentucky Gas Association (KGA) or the Southern Gas Association (SGA) on behalf of Columbia.

d. Not applicable. See above.

e. Columbia has not made such a request.

f. Neither organization sends financial statements to Columbia. However, during those periods that a Columbia employee serves on the board of either organization, the individual Columbia employee might have access to the organization's financial records.

g. Not applicable. See above.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

7. Refer to the response to Item 9.d. of Staff's Second Request.

   a. State whether amounts associated with Community Support and Other, which primarily encompass event sponsorship in the support of worthwhile organizations, are reflected in Columbia's cost of service.

   b. If the response to a. above is no, state where these amounts are removed from cost of service.

   c. If the response to a. above is yes, explain the difference between the amounts paid to Community Support and Other and the amounts reflected on Schedule F-2, page 1 of 1.

Response:

a. Of the $25,000 identified as Community Support and Other for the forecasted test period on Schedule F-6 Advertising, $1,765 has been removed from Columbia's cost of service on Schedule D-2.4, adjustment 10. In addition, $697.20 can be removed as explained in the response to Staff Set 3 No. 35.

b. Please refer to the response to part a.

c. Community Support expenditures are generally linked to specific events and activities in the Columbia service territory to support and engage customers in community improvement projects and efforts. Schedule F-2, page 1 of 1, identifies charities to which general donations are usually made and which do not necessarily have a specific community event or activity associated with the support.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

8. Refer to the response to Item 9.f. of Staff's Second Request. Provide the following:

    a. The forecasted-period annual salary and the employee expenses associated with Columbia's Director of Governmental Affairs.

    b. The duties associated with Columbia's Director of Governmental Affairs position, along with the percentage of time, on an annual basis, devoted to the different area of responsibilities.

Response:

a. The total forecasted-period salary for this position is [redacted] The forecasted-period annual employee expenses associated with this position are forecasted to be $16,000.

b. Please see attached.

Columbia Gas

Assignment Profile

Title: Director of Governmental Affairs

Occupation Code: 09038

Location: CKY-State

Reports to: CKY President

Status: Exempt

Essential Responsibilities

- **Track, review and analyze local and state legislative and regulatory initiatives; provide advice and recommendations to CKY management regarding the impact of those initiatives on CKY operations and business; serve, as assigned, as CKY spokesperson for the purpose of official comment or testimony on local and state legislative and regulatory matters; (20%)**

- **Communicate CKY's point of view and point of interest in legislative and regulatory initiatives to individual and/or groups of local and/or state elected or appointed officials via conversations, meetings, or presentations in adherence to all local and state regulations governing communications and interactions with local and state elected and/or appointed officials. Build professional working relationships with the Kentucky Legislative Research Commission as well as associations representing legislators with particular emphasis on members from areas served by CKY as well as committees with legislative and/or regulatory oversight for energy, economic development, public safety, consumer protection, the environment, local government, general business, labor, revenue, and occupational licensing. (20%)**

- **Build professional relationships with energy industry groups and associations, local and state economic development officials and business associations, commerce and trade groups to benefit CKY's customers, operations and business interests. (20%)**

- **Track and provide advice to CKY management on energy and utility public policy trends, forecasts, and developments related to all areas of interest to CKY including safety, customer service, the environment, energy demand, energy efficiency, low-income assistance, economic development, workforce development, and energy production and transportation. (20%)**

- **Support CKY's ongoing customer service and operations duties, goals and requirements where they interface with local and state government. (10%)**

- **Serve as CKY's representative to local and state boards, commissions, and other organizations where such service is part of CKY's program of philanthropy, community leadership, and civic involvement. (10%)**

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

9. Refer to Attachment A of the response to Item 9.f. of Staffs Second Request.

a. Provide the expected total cost for installation and implementation of a single general ledger and chart of accounts for all NiSource companies, along with Columbia's share of the total cost.

b. Provide the time period over which installation and implementation of a single general ledger and chart of accounts for all NiSource Companies is to occur.

c. State whether this is the first time a single general ledger and chart of accounts has been installed for all NiSource companies. If no, provide the time period, total cost and Columbia's share of the total cost of the prior installation.

d. Explain whether Columbia and NiSource believe the installation of a single general ledger and chart of accounts will benefit both organizations and the ratepayers of Columbia.

e. State whether a cost benefit study was performed to justify the installation of the single general ledger and chart of accounts system. If yes, provide the results of the cost benefit study.

Response:

a. The present estimate for the total cost of the project to implement a single general ledger, chart of accounts, and other related accounting process and system changes (the NiFiT project), along with Columbia's share of these costs is:

Total NiFiT Project Costs and the Amount Allocated to Columbia Gas of Kentucky

NiFiT Project Cost	O&M	Capital	Total
Grand Total	$ 36,133,292	$ 87,712,018	$ 123,845,310
Columbia Gas of Kentucky	$ 649,030	$ 1,751,464	$ 2,400,494

b. The NiFiT project began in October 2011; the current plan is to complete the project in May 2015. During this time period, three deployments are planned and include all of the NiSource companies. Columbia's deployment is scheduled for April 2014.

c. This is the first time that a single general ledger and chart of accounts has been installed for all NiSource companies.

d. The investment in the NiFiT project will benefit Columbia, Columbia's ratepayers, and NiSource in several important ways. The project's intent is to ensure that the NiSource companies, including Columbia, will be able to continue executing strong accounting data integrity, operational efficiencies and internal and external financial reporting to serve the needs of all its employees, vendors, financial institutions, rating agencies, regulators, and, ultimately, customers. Through NiFiT, the NiSource companies will standardize, automate and drive process improvements in financial reporting and analysis, as well as financial controls.

Some examples of these beneficial changes are as follows: (1) inter-company billings will be mechanized; (2) account reconciliations and Sarbanes-Oxley controls will be more automated; (3) there will be a greater ability to generate detailed Generally Accepted Accounting Principles ("GAAP") financial statements, Federal Income Tax financial statements, and regulatory financial statements; (4) there will be more automated approval processes with a corresponding audit trail; (5) improved account validation will reduce the amount of manual intervention required of employees; and (6) the technical infrastructure to support our financial processes will be less complex and easier to maintain.

e. A cost benefit study was not performed for the installation of the single general ledger and chart of accounts. The need for the investment was driven by the operating risk associated with the different, out-of-date financial platforms currently used by Columbia and NiSource's other operating companies rather than by a cost benefit calculation. Additionally, having multiple different ledgers, charts of accounts, and accounting processes in use across the NiSource system creates inefficiencies for the financial staffs across the operating companies.

Currently, Columbia and several other NiSource Gas Distribution Companies run on a systems platform called GEAC, which was implemented in the early 1990s. While it was a good investment when implemented, GEAC's technology platform is no longer updated and vendor supported and hasn't been for years. Although NiSource has taken all due precautions to provide backup, redundancies and data recovery in the event that GEAC fails to operate as needed, there is still the possibility, given the age of the system, that these provisions might not be sufficient. Based on this obsolescence, NiSource has determined that there is an unacceptable degree of risk that the GEAC hardware, its technology platform and/or its surrounding systems could fail to function as necessary.

Based on the age and challenges associated with NiSource's different financial platforms, including GEAC, NiSource determined that developing and implementing a new platform, which would eventually become known as NiFiT, would allow Columbia and the other operating companies to run on a single, more modern, efficient and cost-effective financial platform.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

10. Refer to the response to Item 13.a. of Staff's Second Request. The text, which reads, "Identify the specific quarterly periods in the surveys to which Mr. Miller refers" meant the quarterly periods in the particular survey(s) being cited by Mr. Miller, such as, for example, second quarter of 2012 or first quarter of 2013. With this clarification, provide a revised response to Item 13.a. of Staffs Second Request.

Response:

(a) Based on my understanding of the J.D. Power methodology, the 2012 survey results were based on four surveys taken during the following quarterly time periods:

- 3rd/4th Quarter 2011 (September/October)
- 4th Quarter 2011/1st Quarter 2012 (December/January)
- 1st/2nd Quarter 2012 (March/April)
- 2nd/3rd Quarter 2012 (June/July)

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

11. Refer to the response to Item 14 of Staffs Second Request and page 10 of the Direct Testimony of Herbert A. Miller, Jr. ("Miller Testimony"). The testimony cited declines in the "OSHA recordable injury rate" and "DART rate (Days Away, Restricted or Transferred)" for Columbia from 2009 to 2012. While both rates were lower in 2012 than in 2009, the response reflects that after large declines from 2009 to 2010, both rates increased in 2011 to levels greater than in 2009. As both rates exhibit this type of volatility, explain the significance of their change over the three-year period cited in the testimony.

Response:

A review of both OHSA and DART data reveals no significant discernible pattern for injuries in 2011 other than all 2011 injuries occurred before June of 2011 with no injuries occurring after that. All years reflect a variety of injury type and impact: ergonomic injuries from physical labor or repeated activity, slip and falls, and non-preventable driving incidents. Columbia's employee safety programs are seeking long-term results with the recognition that individual time periods may show variances.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

12. Refer to the response to Item 16 of Staff's Second Request, which indicates that the amount of savings associated with the installation of Automated Meter Reading ("AMR") devices that is included in the test year revenue requirement is $191,731. Given that the response also indicates that savings are expected beginning in the fourth quarter of 2014, provide the total amount of savings Columbia expects to realize over the course of calendar year 2015.

Response:

Columbia anticipates net savings of approximately $741,000 in 2015.

KY PSC Case No. 2013-00167
Response to Staff's Data Request Set Three No. 013
Respondent: Eric T. Belle

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

13. Refer to the attachment of the response to Item 18 of Staff's Second Request ("Attachment 18") and Attachment B of the response to Item 13.b. of Staff's First Request for Information ("Staff's First Request").

    a. Based on the annual budgeted and actual amounts of "Non-AMRP" construction shown in Attachment 18, confirm that, when calculated in the same manner as in Attachment B, the annual slippage factors for Non-AMRP construction in the years 2009 to 2012, in percentages, are — 2009: 67.241; 2010: 101.887; 2011: 106.250; and 2012: 136.363.

    b. If the percentages in part a. of this request for the years 2009 to 2012 are substituted for the percentages for the same four years in Attachment B, confirm that the slippage factor for C Columbia's Non-AMRP construction, calculated as a 10-year mathematical average, is 92.485 percent

Response:

Columbia's annual slippage factors for Non-AMRP capital expenditures are shown in the table below. It should be noted that the budgeted and actual costs of Non-AMRP capital expenditures shown in Attachment 18 were rounded to the nearest hundred thousand. Columbia's budgeted and actual costs in the response to Staff's Data Request Set One No. 13b Attachment B were rounded to the nearest thousand. As a result, the slippage factors for Non-AMRP capital expenditures are slightly different when rounding to the nearest thousand.

Years	Non-AMRP Annual Actual Cost ($000)	Non-AMRP Annual Original Budget ($000)	Variance in Dollars ($000)	Variance in Percent	Slippage Factor
2012	$7,548	$5,530	$2,018	36.492%	136.492%
2011	$5,129	$4,810	$319	6.632%	106.632%
2010	$5,358	$5,334	$24	0.450%	100.450%
2009	$3,858	$5,756	-$1,898	-32.974%	67.026%
2008	$13,581	$14,711	-$1,130	-7.681%	92.319%
2007	$9,494	$12,403	-$2,909	-23.454%	76.546%
2006	$8,159	$9,000	-$841	-9.344%	90.656%
2005	$10,426	$10,064	$362	3.597%	103.597%
2004	$7,342	$11,220	-$3,878	-34.563%	65.437%
2003	$9,114	$10,783	-$1,669	-15.478%	84.522%
Totals	$80,009	$89,611	-$9,602	-10.715%	
10 Year Average Slippage Factor (Mathematical Average of the Yearly Slippage Factors / 10 years					92.368%

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

14. Refer to the response to Item 19.d. of Staff's Second Request. State whether the first factor cited in the "Insights" section of the CHOICE program Final Report (people not knowing what the program is, what the benefits are or how to join) could be addressed by additional customer-education activities on the part of Columbia and marketers.

Response:

As the "Insights" section of the CHOICE program Final Report stated on page 7, the program depends on consumers being actively engaged in choosing a supplier and tracking savings over time. Columbia offers customer education tools online and in its customer bills. The program is an optional service and resources are readily available to customers from Columbia and from the Commission if they are interested in taking the time to learn about the program and consider the options. When CHOICE was first introduced, a budget was established for customer education activities and cost recovery was provided for developing and promoting customer education. Natural gas commodity costs were also much higher at that time, than they are today, capturing the interest of customers and creating a more inviting environment for customers to focus on alternative options. Columbia made presentations to neighborhood associations and advertised the CHOICE program to inform customers that it was available. The participating marketers at that time were also very active in reaching out and advertising to potential customers. The natural gas commodity market is much more stable and lower in price today and the initial customer excitement has subsided.

The actions Columbia is now taking to provide additional messaging on its bills to both CHOICE and non-CHOICE customers will increase awareness and educate customers about the program. Enlisting marketers to provide annual disclosure statements to their customers is an additional education vehicle to specifically reinforce the monthly bill messages regarding participation and provide comparative cost information to the customer. Tools are in place to provide the education about how to join. Once enrolled, the new recurring messaging and annual statements will serve as continuing education to customers.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

15. Refer to Item 25 of Staffs Second Request. The Authorized Return on Equity column indicates that six of the seven ROE awards granted by a state regulatory agency during 2012 and 2013 were at or below 10.2 percent. All other things being equal, state what impact this information would have on investors' expectations of Columbia's ROE in 2013.

Response:

It is somewhat difficult to make a generalized statement of the impact these authorized returns would have on investor expectations for Columbia. First, all of those returns were set for natural gas utilities that operate in multiple jurisdictions, and the relative impact they might have on each company's total operations would vary depending upon the relative investment that they have committed to those particular jurisdictions. The ability to achieve those returns, and other associated rate-setting mechanisms in place would also have a bearing on the significance that investors might assign on those authorized returns. The relative weight of the equity in the capital structure would also figure into the expectations that investors might assign to those returns. Also, it depends upon the record developed in each respective rate case that determines the significance assigned to those returns (i.e., were capital costs increasing, decreasing, or were they level during the litigation of the rate case). Also, those returns could have been the result of a settlement/stipulation of a rate case where the equity returns were negotiated in light of offsetting elements in other parts of the case agreed to by the opposing parties during the negotiation process. All of these elements would certainly have an influence on investor expectations for the members of the Gas Group. It is fair to say that returns in 2012/2013 listed in Staff Data Request Set 2 No. 25 were generally at or below 10.2% and in some way would have an influence on investors' expectations given the factors noted above.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

16. Refer to Item 26 of Staff's Second Request. Explain why a more current issue of Value Line was not used in the ROE analysis, particularly in light of the use of a 12-month period ended February 2013 for dividends and stock prices, and the fact that a March 8, 2013 edition of Value Line was available for the Natural Gas Utility Industry.

Response:

The December 7, 2012 Value Line publication was selected so that it was synchronized with the market prices that were used in the calculation of the DCF return. In the case of the Gas Group, monthly dividend yields were calculated through February 2013. The December 7, 2012 Value Line report was the latest available to investors when they priced the stocks of the Gas Group. Moving the Value Line reports forward to March 8, 2013 would provide information that could not have influenced investor expectations when they priced the stock of the Gas Group through February 2013.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

17. Refer to the weather normalization calculations provided in response to Item 21.c. of Staffs Second Request.

a. Confirm that these calculations reflect Choice volumes as well as sales and commercial transportation volumes for these classes.

b. Provide an explanation of and detailed calculations supporting the relationships between weather-adjusted volumes for the residential and commercial classes of 8,080,427 and 7,486,062 Mcf respectively, and the volumes used for calculating present and proposed revenues for these classes in Schedule M of the application.

Response:

a. Yes, the response includes all class volume and customers.

b. Please see Columbia's response to Staff's Data Request Set Three No. 018.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

18. Using December 2012 as an example, show each adjustment to actual volumes as shown on the response to 21.c. for both the residential and customer classes to arrive at normalized volumes. The response should be in sufficient detail to show the derivation of the base period volumes for December 2012 as shown on page 1 of schedule M and for December 2014 on pages 2 and 3 of Schedule M of Volume 8 of the Application.

Response:

Columbia's normalization procedure for December 2012 was supplied in the referenced response in a spreadsheet with equations in place, including the derivation of the base period volumes.

Please note that the volume history in Schedule M is not weather normalized. There are no adjustments for future periods which are forecasted from reference points calculated with the procedure presented in the spreadsheet.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

19. Refer to the response to Item 42 of Staff's Second Request.

    a. State whether Columbia believes its collection of revenue through the Weather Normalization Adjustment ("WNA") tariff could be improved by adding months that historically have HDD to its mechanism.

    b. Provide an explanation of the calculations involved in weather normalizing customer bills pursuant to Columbia's WNA tariff. The explanation should include, but not be limited to, the time period used for establishing Normal Degree Days, whether that time period is updated annually, the source of the climate data, and an example of the process used in calculating the base load and normalized usage for a typical residential customer's bill during a WNA billing month.

Response:

a. Columbia has not studied whether the Weather Normalization Adjustment ("WNA") tariff could be improved by adding months that historically have HDD to its mechanism.

b. The normal HDD is set to the average of the 20 years ended 2008 which is the definition of weather used in the billing determinants used to establish the base rates in Columbia's last rate case. The definition is not updated annually. The temperature data is from National Weather Service weather stations for Huntington, WV and Lexington, KY. The base load is calculated annually within Columbia's billing system for each individual customer. Based upon billing unit and meter book, a two month non-heat usage billing period of either June/July, July/August, or August/September is used to determine the customer's base load.

Example calculation:

Base Load

	Consumption	Number of Days in Billing Period
July 2012	2.0 MCF	30
August 2012	1.0 MCF	30
Total	3.0 MCF	60 Days

3.0 MCF divided by 60 Days= 0.0500 (Daily Base Load)

The Daily Base Load is multiplied by the number of days in the billing cycle to determine base load usage or non-heat consumption.

WNA

(Actual MCF –Base Load MCF) X (Normal DD / Actual DD)

January 2013 Actual Consumption (30 day billing period)	15.5 MCF
Less Base Load Usage (30 x 0.0500)	1.5 MCF
Equals Heat Consumption	14.0 MCF

Normal Degree Days	1000
Divided by Actual Degree Days	1050
Equals WNA Factor	0.952380

Heat Consumption	14.0 MCF
Multiplied by WNA Factor	0.952380
WNA Usage	13.3 MCF

Customer Bill

The January 2013 volumetric customer bill would have been calculated as:

Base Load	1.5 MCF
WNA	13.3 MCF
Total after adjustment	14.8 MCF
Multiplied by Delivery Charge per MCF	$1.8715
Equals Delivery Charge	$27.70

Gas Cost Adjustment per MCF	$ 4.2366
Multiplied by Actual Consumption	15.5 MCF
Equals Gas Supply Cost	$65.67

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

20. Refer to the response to Item 51 of Staffs Second Request. Provide the location in the application of the explanation of how volumes will be forecasted or provide an explanation of the methodology to be used.

Response:

The forecast method is explained in the testimony of witness William J. Gresham beginning on page 3.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

21. Refer to the responses to Items 54 and 55 of Staff's Second Request. State whether Columbia has an explanation as to why SVGTS customers appear to have both higher base load as well as temperature-sensitive usage than GSR customers.

Response:

The responses for Items 54 and 55 of Staff's Second Request were based on company records of meter readings for those customers. Columbia has not surveyed or studied the differences in consumption characteristics between GSR and SVGTS customers. Any statement as to the reasons for differences would be speculation.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

22. Refer to page 9 of the response to Item 56 of Staff's Second Request. State the origin of the Financial Plan Volumes and when they were developed.

Response:

The data on page 9 of the response to Item 56 of Staff's Second Request is actual consumption data from company records normalized for weather using normal weather defined as in the financial plan, 35 years ended 2010.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

23. Refer to the response to Item 62.c. of Staff's Second Request and Volume 10 of the application, WPB-2.1 and WPB-2.2. Item 62.c. referred to a table in Mr. John Spanos's depreciation study with the intent that Columbia use a similar format in its response. It was not Staff's intent that Mr. Spanos submit the response. Using the proposed depreciation rates and Columbia's existing depreciation rates, both of which are included in WPB-2.2, and the test period 13-month average plant balances, which are shown in WPB-2.1, in a format similar to that in the table on pages III-4 and III-5 of the depreciation study, provide the information requested in Item 62.c.

Response:

Please see attached.

COLUMBIA GAS OF KENTUCKY, INC.

PROPOSED ANNUAL ACCRUAL VS. PROFORMA DEPRECIATION EXPENSE
CALCULATED UTILIZING THE 13 MONTH AVERAGE BALANCE RELATED TO GAS PLANT AS OF DECEMBER 31, 2014

	Depreciable Group	13-Month Ave. Balance Period Ending December 31, 2014	13-Month Ave. Book Reserve Period Ending December 31, 2014	Proposed Annual Accrual Rate	Proposed Annual Accrual Amount	Current Accrual Rate	Proforma Depreciation Expense
	(1)	(2)	(3)	(4)	(5)=(2)*(4)	(6)	(7)=(2)*(6)
DEPRECIABLE PLANT							
DISTRIBUTION PLANT							
	Land and Land Rights						
374.4	Land Rights	617,460	155,195	1.79	11,053	1.53	9,447
374.5	Rights-of-Way	2,702,204	850,099	1.28	34,588	1.22	32,967
	Total Account 374	3,319,664	1,005,294	1.38	45,641		42,414
	Structures and Improvements						
375.34	Measuring and Regulating	1,377,194	428,009	3.00	41,316	1.96	26,993
375.7	Other Distribution System						
	Other Buildings						
	Distribution System Structures						
	Total Account 375.70	7,420,536	2,886,145	2.01	149,153	2.00	148,411
375.8	Communication Structures	33,261	33,261	0.10	33	5.32	1,769
	Total Account 375	8,830,991	3,347,415	2.15	190,502		177,173
376	Mains						
	Cast Iron						
	Bare Steel						
	Coated Steel						
	Plastic						
	Total Account 376	180,114,179	54,042,558	2.09	3,764,386	1.57	2,827,793
378	Meas and Reg Sta. Equip. - General	6,150,806	2,844,843	2.71	166,687	2.35	144,544
379.1	Meas and Reg Sta. Equip. - City Gate	257,909	270,760	0.40	1,032	2.27	5,855
380	Services	106,378,091	57,925,307	4.62	4,914,668	2.59	2,755,193
381	Meters	12,575,998	4,699,526	3.70	465,312	2.59	325,718
381.1	Meters - AMI	5,216,541	161,591	7.75	404,282	2.59	135,108
382	Meter Installations	8,444,842	4,206,022	2.96	249,967	2.39	201,832
383	House Regulators	5,243,718	1,357,729	3.04	159,409	1.39	72,888
384	House Regulator Installations	2,282,264	1,736,105	1.31	29,898	1.10	25,105
385	Industrial Meas and Reg Equipment	2,899,386	1,027,993	4.61	133,662	2.09	60,597
387.4	Other Equipment - Customer Information Services	4,108,939	1,499,539	3.63	149,154	2.34	96,149
TOTAL DISTRIBUTION PLANT		345,823,327	134,124,683	3.02	10,674,600		6,870,369
GENERAL PLANT							
	Office Furniture and Equipment						
391.1	Furniture	1,131,058	813,327	5.00	56,553	5.00	56,553
391.11	Equipment	23,575	(10,009)	6.67	1,572	6.67	1,572

COLUMBIA GAS OF KENTUCKY, INC.

PROPOSED ANNUAL ACCRUAL VS. PROFORMA DEPRECIATION EXPENSE
CALCULATED UTILIZING THE 13 MONTH AVERAGE BALANCE RELATED TO GAS PLANT AS OF DECEMBER 31, 2014

	Depreciable Group	13-Month Ave. Balance Period Ending December 31, 2014	13-Month Ave. Book Reserve Period Ending December 31, 2014	Proposed Annual Accrual Rate	Proposed Annual Accrual Amount	Current Accrual Rate	Proforma Depreciation Expense
	(1)	(2)	(3)	(4)	(5)=(2)*(4)	(6)	(7)=(2)*(6)
391.12	Information Systems						
	Fully Accrued						
	Amortized						
	Total Account 391.12	617,268	384,043	20.00	123,454	20.00	123,454
392.2	Transportation Equipment - Trailers	128,576	30,706	7.33	9,425	6.34	8,152
	Tools, Shop and Garage Equipment						
394	Equipment	2,422,649	1,198,735	4.00	96,906	4.00	96,906
394.11	CNG Facilities	335,308	335,308	7.85	26,322	13.77	46,172
	Total 394	2,757,957	1,534,043	4.50	123,228		143,078
395	Laboratory Equipment	9,782	6,915	5.00	489	5.00	489
396	Power Operated Equipment	258,255	192,828	5.98	15,444	-	0
398	Miscellaneous Equipment						
	Fully Accrued						
	Amortized						
	Total Account 398	192,820	40,739	6.67	12,861	6.67	12,861
TOTAL GENERAL PLANT		5,119,291	2,992,593	6.80	343,026		346,159
TOTAL DEPRECIABLE PLANT		350,942,618	137,117,275	3.08	11,017,626		7,216,528
AMORTIZABLE PLANT							
303	Misc. Intangible Plant	4,186,371	1,799,586	**		**	
375.71	Structures and Improvements - Leaseholds	145,860	63,872	**		**	
TOTAL AMORTIZABLE PLANT		4,332,231	1,863,458		0		0
NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED							
301	Organization	521					
304	Land	7,678					
374.1	Land	206					
374.2	Land	878,534	(19)				
387.2	Other Equip-Odorization		(59,912)				
394.13	Tools,Shop, & Gar Eq-Und Tank Cleanup		37,937				
TOTAL NONDEPRECIABLE PLANT AND ACCOUNTS NOT STUDIED		886,939	(21,994)				
TOTAL GAS PLANT		356,161,788	138,958,740		11,017,626		7,216,528

** Accrual rate based on individual asset amortization.

KY PSC Case No. 2013-00167
Response to Staff's Data Request Set Three No. 024
Respondent: S. Mark Katko

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

24. Refer to the responses to Item 67 of Staff's Second Request and Item 33 of Staff's First Request. Given that in each of the past five calendar years Columbia's total actual payroll has been between 2 and 5 percent less that its total budgeted payroll, explain why it would not be reasonable to apply a "slippage factor" to the forecasted payroll costs included in Columbia's test period.

Response:

Payroll costs are a major, but not the only component in the development of Columbia's labor budget. The annual grass roots gross payroll and net labor budgeting process incorporates estimates for headcount, base pay, overtime pay, premium pay, incentive plans, vacation and non-productive time overheads, incoming charges, and labor accruals to arrive at the total labor available for distribution. The labor available is then distributed to O&M expense, construction, other balance sheet accounts, and outgoing charges. An actual variance from budget in any of these components will impact what is ultimately the variance in net labor expense. As a result, an underrun from the budget in payroll does not necessarily translate to an underrun from the budget in net labor expense. It is net labor expense that is included in Columbia's operating expenses and cost of service.

Over the period 2008 through 2012, Columbia's cumulative labor O&M expense variance is an overrun of 4.0 percent. Please see the table below for the actual versus budgeted labor expense for each year and cumulatively.

Columbia Gas of Kentucky, Inc.	
Labor O&M Expense Actual v. Original Budget	
2008 Actual	$6,880,292
2008 Original Budget	$6,620,027
Difference	$260,265
Difference (%)	3.9%
2009 Actual	$6,851,544
2009 Original Budget	$6,495,758
Difference	$355,786
Difference (%)	5.5%
2010 Actual	$7,177,299
2010 Original Budget	$6,800,976
Difference	$376,323
Difference (%)	5.5%
2011 Actual	$6,778,705
2011 Original Budget	$7,111,682
Difference	($332,977)
Difference (%)	-4.7%
2012 Actual	$7,342,223
2012 Original Budget	$6,648,036
Difference	$694,187
Difference (%)	10.4%
Cumulative Actual	$35,030,063
Cumulative Original Budget	$33,676,479
Difference	$1,353,584
Difference (%)	4.0%

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

25. Refer to the response to Item 72 of Staffs Second Request.

    a. Provide the level of expenses included in the test year for creative design services related to community support primarily encompassing event sponsorships of worthwhile organizations.

    b. Explain how Columbia's goal in supporting Sheehy & Associates' creative design services related to community support, primarily encompassing event sponsorships of worthwhile organizations, differs from its goal in making charitable contributions and supporting charitable organizations.

Response:

a. Please refer to Columbia's response to Staff Set 3 No. 35. As explained in that response, Columbia is removing $314 related to creative design services for community support activities from the forecasted test period.

b. Based on the response to part (a), this question is no longer applicable.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

26. Refer to the response to Item 73 of Staffs Second Request. Explain whether Columbia is using other outside counsel in this case in addition to the firm of Mr. Richard S. Taylor.

Response:

Columbia is using other outside counsel in this case in addition to the firm of Mr. Richard S. Taylor. Due to unforeseen circumstances, Mr. Taylor's participation in this case is currently limited.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

27. Refer to Volume 9 of the application, the Direct Testimony of Eric T. Belle ("Belle Testimony"). On pages 4-5, Mr. Belle describes Columbia's gas distribution system. Explain what the "other" types of mains are in Columbia's system.

Response:

The "other" type of gas mains in Columbia's system includes galvanized mains.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

28. Refer to page 9 of the Belle Testimony, beginning at line 15. Mr. Belle discusses how the engineering department prioritizes the results from its risk analysis software to "ensure consistency, continuity, and optimization of its capital program; with emphasis placed on accelerating the replacement" of what is defined as "Priority Pipe" or "Priority Mains."

    a. Explain how Columbia's Distribution Integrity Management Program is integrated into this prioritization of accelerated replacement.

    b. Explain whether the various types of pipe listed as "Priority Pipe" (unprotected bare steel, cathodically protected bare steel, cathodically unprotected coated steel, cast iron and wrought iron) are weighed the same in regard to risk when evaluating and scheduling replacement. Provide details of the factors used to determine risk of the various types of pipe.

Response:

(a) Columbia's Accelerated Mains Replacement Program (AMRP) was in place prior to the initial Distribution Integrity Management Plan (DIMP) published in August 2011, and was immediately incorporated into the DIMP Plan as a key element in managing risk at the segment level. Columbia identified its existing AMRP as one of the accelerated actions to address the risks associated with priority pipe.

(b) Two types of factors are considered for priority pipe when evaluating and scheduling replacement: Risk Profile Factors and Failure Factors. The Risk Profile Factors are independent from the type or material of pipe and therefore the weighting of those factors is consistent across all priority pipe segments. There are eleven (11) Risk Profile Factors such as pipe pressure, depth of cover, population density, etc.

The Failure Factors are specific to the priority pipe material or type and therefore are each weighted differently from one another. Each type of pipe is weighted according to its respective failure mode and factors associated with the failure. For instance, cast iron is subject to breaking and joint leaks while bare steel is subject to corrosion and leaks. Nine (9) failure factors are assigned weights in accordance with the failure mode identified when the leaks were repaired.

A detailed description of these factors is included below:

[redacted]	[redacted]
[redacted]	This factor considers pipe size, pressure, and failure type to identify and rank the relative volume of escaping gas when a failure occurs. For example, cast iron pipe can fail by having a break or a joint leak, but for the same pipe size and pressure the volume of escaping gas is assumed to be greater from a break than from a joint leak.
[redacted]	The frequency of leak surveys on the main pipes in a project. This can impact the consequences of a failure, since there is a higher likelihood of an incident or other adverse consequences the longer a leak goes undetected.
[redacted]	The population density based on the most densely populated census block group that overlaps any main pipe in the project.
[redacted]	The ground cover type (concrete, asphalt, grass, etc.) over a gas pipe can impact the path and distance that gas can migrate from a leak. Wall to wall concrete cover is considered the most risky because gas could migrate to a building wall without detection.
[redacted]	This factor attempts to approximate the distance from the main to a building wall as migration of leaking gas from the main would be more likely at shorter distances. It should represent a conservative assessment of the overall length of services across the entire project.
[redacted]	Building type or usage can affect the ability to quickly evacuate the building in the event of an emergency gas leak. For example, removing people from a hospital or nursing home will likely be more difficult than a single family dwelling. This factor can also indicate the likelihood of higher concentrations of people in the area (even though they do not reside there).
[redacted]	Deeper pipes can allow gas to migrate a greater lateral distance without detection or escape.
[redacted]	The severity of the leak increases the risk score on the pipe.
[redacted]	The origin of a leak (customer call vs. company survey) can increase the liability or public relations impact of future leaks.
[redacted]	The location and access to the meters can increase the project risk score.
[redacted]	The service class, or type of customer, may increase the risk score for a project.

[redacted]	[redacted]
[redacted]	Assess the extent of existing corrosion on the pipe based on information collected on the leak report.
[redacted]	The pipe condition, as reported by inspection, has direct bearing on the chances of failure on the pipe.
[redacted]	Increase the likelihood of future failure based on the maximum pitting diameter captured in the leak report.
[redacted]	Assess the extent of existing internal corrosion on the pipe based on information collected on the leak report.
[redacted]	Does the condition of the coating (as reported in leak reports) indicate a higher than average likelihood of future failures?
[redacted]	The number of existing clamps on a pipe are an indicator that the pipe has been repaired and increases the likelihood of future failure
[redacted]	Does the coating type increase the chances of corrosion or leak failure on the pipe?
[redacted]	Does the type of joint increase the possibility of joint or break failure on the pipe?
[redacted]	Does the minimum depth of a pipe increase the chances of strike or leak failure on the pipe?

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

Refer to page 13 of the Belle Testimony beginning at line 12. Mr. Belle discusses Columbia's first five years of the AMRP program and the replacement of approximately 70 miles of Priority Pipe and associated service lines and/or appurtenances. Provide details of the types of "Priority Pipe" (i.e., cast iron, unprotected bare steel, etc.) and the associated miles of each type replaced during the first five years of the AMRP.

Response:

See list below.

Columbia's AMRP - Replacement of Priority Pipe				
Year	Unprotected Bare Steel (Miles)	Cast Iron / Wrought Iron (Miles)	Cathodically Protected Bare Steel (Miles)	Total (Miles)
2008	20	0	0	20
2009	19	1	0	20
2010	4	0	0	4
2011	1	3	2	6
2012	19	1	0	20
Category Totals	63	5	2	70

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

30. Refer to page 14 of the Belle Testimony beginning at line 1. Mr. Belle discusses Columbia's intention to accelerate the replacement of Priority Pipe by spending $50.8 million on the AMRP program over the next four years (approximately $14.2 million in 2013 and $12.2 million annually for 2014-2016) for the replacement of Priority Pipe.

    a. Provide details of the types of "Priority Pipe" and the associated miles of each type replaced (or to be replaced) in 2013.

    b. Provide details of types of "Priority Pipe" and the approximate number of miles of each type scheduled for replacement for the period of 2014-2016.

Response:

See list below of approximate number of miles of priority pipe planned for replacement from 2013 through 2016.

Columbia's AMRP - Replacement of Priority Pipe				
Year	Unprotected Bare Steel (Miles)	Cast Iron / Wrought Iron (Miles)	Cathodically Protected Bare Steel (Miles)	Total (Miles)
2013	17	4	0	21
2014	19	2	0	21
2015	19	2	0	21
2016	19	2	0	21

KY PSC Case No. 2013-00167
Response to Staff's Data Request Set Three No. 031
Respondent: Eric T. Belle

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

31. Refer to page 16 of the Belle Testimony beginning at line 14. Mr. Belle states "(s)pecific replacement projects have been identified, planned, and designed" and that "Columbia has developed a 16-month inventory of replacement projects." Provide details with regard to the specific replacement projects identified and the 16-month inventory developed. Include specific information with regard to the types of "Priority Pipe" and the associated miles of each type to be replaced, as well as any pertinent factors that were considered in the selection of these projects.

Response:

See Staff Set 3 DR No. 31 Attachment A.

COLUMBIA GAS OF KENTUCKY AMRP INVENTORY PROJECTS

Project Name	City	Type to Install	Size(s) to Install	Install Footage	Priority Pipe Retirement footage	Cast Iron Retired	Stations Retired	Status / Comments	Optimain Combo Score	Optimain Score per 1,000 foot retired	Other Justification	Preliminary Total Project Cost
Chinoe/Ridgway AMRP	Lexington, KY	PE	6,4	6,100	8,700	0	0	Contains 21st &31st highest risk single projects, but the concentration of risk is the 3rd highest in the state.	468	54		$592,100
E. Jackson St. AMRP	Georgetown, KY	PE	4,2	13,700	14,900	0	0	High concentration of risk.	374	25		$1,142,700
Locust/Morgan Street AMRP	Versailles, KY	PE	4,2	9,000	6,000	0	0	2nd highest risk project in Kentucky. Five Top 100 projects. Has a sum of risk of 788 as calcualted by GSP.	362	60		$700,000
Euclid Aveune Phase II AMRP	Lexington, KY	PE	4,2	7,500	10,000	2,700	0	The sum of the scores as calculated by GSP was 974 and was the top scoring project. Has highest ranking single project (1627912) with a score of 142.	352	35		$793,000
Bellaire Ave. AMRP	Lexington, KY	PE	4,2	7,100	8,400	0	1	2 of top 50 (#8 & #45) in Optimain	335	40	Retire Pit regulator.	$696,685
Upper St. AMRP	Lexington, KY	PE	2	4,000	4,750	0	0	High concentration of risk.	287	60		$403,500
UK Hospital AMRP	Lexington, KY	PE	8,6	2,475	3,637	0	0	Dual main and BS MP adjacent to Hospital. Also associated to pit regulator. 868 feet of Rose Street + 1607 on Hilltop. #17, #30, & #38 in Optimain.	270	74		$297,000
Battle Grove Ave.	Cynthiana, KY	PE	2	12,500	11,000	0	0	Rank in Optimain: #6, #7, #13, #17, #19, #34, & #37 for Cynthiana.	257	23		$1,112,000
Springhill Dr. AMRP	Lexington, KY	PE	2	5,232	5,269	0	0	1 top 50 project. Combo project contains 3rd highest risk single project (2062452).	246	47		$498,140
Culpepper AMRP	Lexington, KY	PE	4,2	6,000	6,000	0	0	Concentration of risk	231	39		$566,000
Bennett Ave. AMRP	Lexington, KY	PE	4.2	5,880	6,500	0	1	1 of top 50 (#19) in Optimain	221	34	Retire Pit regulator and replace some problematic MP along Versailles Road and Angliana Ave.	$741,600
Holmes St. AMRP	Frankfort, KY	PE	4,2	1,725	2,800	0	0	Field Recommended. PSC complaint. Combo project contains 2nd highest risk single project.	198	71		$231,100
Jersey Ridge AMRP	Maysville, KY	PE	4,2	12,000	12,000	0	0	Eliminate intermediate pressure cast iron	179	15		$1,462,200
Liberty Rd. AMRP	Lexington, KY	PE	4,2	4,153	4,153	0	0	Concentrtion of risk.	176	42		$634,380
Lakewood Dr. AMRP	Lexington, KY	PE	4,2	3,400	5,000	0	1	Op Center requested. Two bare mains 3' apart from one another with closest 5' from home. Leaks in front of house have been cleared in 2013, but other open leaks remain. Wil eliminate dual mains. Will eliminate regulator station and	167	33		$409,000

Clay St. AMRP	Louisa, KY	PE	2	10,715	6,855	0	0	Water in main. Proximity to railroad.	158	23	*Leakage within 5 feet of CSX Track - 1909 pipe - Leakage under State Highway 3*	$740,015
Paris Cast Iron AMRP	Paris, KY	PE	4,2	5,500	4,950	2,301	0	2301' Cast Iron. Also eliminates a difficult pipe exposure and RRXing.	151	31		$475,000
Maysville Train Depot AMRP	Maysville, KY	PE	2	3,500	3,081	0	0	Contains higest risk single project in Maysville.	148	48		$360,500
Pike Street AMRP	Cynthiana, KY	PE	2	2,674	2,674	0	0	Op Center requested. Third, eighth, and ninth highest risk single projects in Cynthiana	146	55		$232,740
Maple Leaf AMRP	Maysville, KY	PE	4	9,285	9,285	6,604	0	6604' of intermediate pressure cast iron	55	6		$784,950
Kentucky Ave. AMRP	Lexington, KY	PE	2	1,960	2,000	1,100	0	Proposed to be worked with existing Euclid Ave project due to proximity of work. Completes the highest risk project in Kentucky that has the greatest concentration of risk. Has 1108 feet of cast iron. Contains #45 highest risk project in state.	145	73		$315,400
29th St. Phase II AMRP	Ashland, KY	PE	6	4,500	4,000	0	0	New 6" plastic will need to be laid in sidewalk	138	35		$618,800
SR40 Beauty AMRP	Beauty	PE	4,2	1,335	1,688	0	0	Highest risk single project in TCC and 4th highest risk single project in state - Location is remote from operations personnel.	136	81		$89,100
Downtown Frankfort AMRP	*Frankfort, KY*	*PE*	*4*	*1,300*	*1,300*	*642*	*0*	*1 top 100. Cast iron adjacent to RR.*	135	104		$163,600
39th Street AMRP	Ashland, KY	PE	2	5,505	5,747	0	0	#7 and #31 highest risk single projects in TCC	124	22		$366,405
Rolling Acres AMRP	Frankfort, KY	PE	2	4,000	3,100	0	0	1 of top 50 (#12) (1634144)	123	40		$307,000
Jefferson AMRP	Lexington, KY	PE	4	771	771	0	0	Sixth highest risk single project in state. Recommend working as a single project due to lack of MP main.	108	140		$124,410
Market St. AMRP	Lexington, KY	PE	4,2	3,950	3,150	0	0	Concentration of risk	101	32		$408,000
Alley from 18th St to 22nd St btwn Carter Ave and Central Ave (21st Street)	Ashland, KY	PE	2	100	1,626	0	0	#3 in TCC.	92	57		$22,000
Main Street (Greenup) AMRP	Greenup, KY	PE	2	2,509	2,509	0	0	High risk single project. #28	92	37		$215,230
Meadow Lane & Gay Place AMRP	*Lexington, KY*	*PE*	2	*3,400*	*2,850*	*0*	*0*	1 of top 50 (#15) in Optimain; however, a pending LFUCG project may impact this pipe.	70	25		$332,000
Woodland Ave AMRP	Ashland, KY	PE	6,4	7,420	5,740	0	0	Drained liquids 05/12 and possible internal corrosion.	66	11	Removed pipeline liquids, blocked regulator station R1336 from feeding.	$788,800
French Broad AMRP	Ashland, KY	PE	2	6,450	3,492	0	0	Operations center requested	65	19		$437,400

Bon Haven AMRP	Winchester, KY	PE	4	3,700	3,700	0	0	Continuation of phased of DKA replacement. Start of this project is contingent upon completion of 2013 DKA project	60	16		$344,900
Willard St. AMRP	Lexington, KY	PE	2	5,000	5,200	0	1	May downsize pipe, uprate a portion of system and retire an LP station.	59	11		$369,000
Taylor Ave. Phase II AMRP	Frankfort, KY	PE	3	5,200	4,100	0	1	Pipe hanging on bridge. Related to possible bridge demolishio	43	10		$434,400
Irvine Main St. AMRP	Irvine, KY	PE	6,4	8,270	10,149	0	0	Eliminate multiple lines. Consider KDOT reloction plans.	27	3		$899,000
Taylor Ave. Phase I	Frankfort, KY	PE	2	3,500	2,700	0	0	Related to possible bridge demolishion.	10	4		$258,900
Angliana AMRP 13026437400	Lexington, KY	PE	4,2	2,180	3,200	0	0	Street scores suggest streets may be paved soon.	10	3		$191,660
DKZ @ TCO PROPERTY AMRP	Winchester, KY	ST	12	3,400	2,900	0	0	Cross country high pressure pipeline laid in 1928.	4	1	High Pressure Bare steel mech. Joints	$491,512
X-Country MJ AMRP	Lexington, KY	PE	2	3,455	3,455	0	0	Mechanical joint pipe with multiple encroachments where the DPI's may not have assocaited properly. Operations recommended. Engineering to meet with property owner to determine if they can be served from the LP. Risk score not	11	3		$299,075
Ashford Stud Farm AMRP	Versailles, KY	PE	4	5,207	5,500	0	0	Pipeline installed in 1928. Mechanical joint. Observed problems with laminated pipe.	8	1		$373,490

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013**

32. The Pipeline and Hazardous Materials Safety Administration ("PHMSA") issued advisory bulletin ADB-2012-05 on March 23, 2012 with regard to cast iron distribution facilities. In that bulletin, PHMSA discusses two previous notices that were issued concerning cast iron and "urges owners and operators to conduct a comprehensive review of their cast iron distribution pipeline and replacement programs and accelerate pipeline repair, rehabilitation, and replacement of high-risk pipelines."

    a. Provide the number of miles of cast and wrought iron mains currently remaining in Columbia's system.

    b. Provide Columbia's estimated date by which all of its cast and wrought iron mains will be removed from service.

    c. Describe the additional measures, if any, that Columbia has in place for the safe management of its cast iron pipelines (i.e., accelerated leakage surveys).

Response:

(a) Columbia currently has approximately 20 miles of cast iron and wrought iron remaining in its system.

(b) Columbia recognizes the importance of accelerating the replacement of cast and wrought iron mains. As a result, Columbia estimates its inventory of cast and wrought iron main will be removed from service by December 31, 2022. This replacement timeline demonstrates Columbia's commitment to accelerate the replacement of cast and wrought iron mains when compared to the remaining types of priority pipe.

(c) Columbia has a process where the engineering, field operations, and corrosion departments meet twice a year to discuss high risk segments of pipe. Cast iron segments are included in this assessment. Results from Optimain as well as observations by field operations are discussed on a segment-by-segment basis. The group makes a determination if the segments discussed should be scheduled for replacement and whether other accelerated actions such as increased frequency of leakage surveys are warranted. Additionally, the engineering department completes quarterly reviews of new segments of pipe that may have entered the high risk category in Optimain which may require the completion of a short replacement project. Columbia's DIMP steering team meets periodically to assess the adequacy of existing risk management activities. The DIMP steering team may determine whether existing activities are sufficient to mitigate risks or if an identified threat or risk requires an additional or accelerated action. Columbia has taken accelerated actions when excavation activity by third party contractors occurs in close proximity to our cast iron mains. Columbia monitors such activity and plans replacement projects to mitigate additional risks if the excavation breeches specified boundaries.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

33. Refer to Volume 9 of the application, the Miller Testimony. On page 12 Mr. Miller discusses the installation of AMR devices and Columbia's plan to install AMR devices throughout its service territory on all gas meters in 2014.

    a. State the number of AMR devices that are currently installed on meters within Columbia's system.

    b. State how many AMR devices are scheduled to be installed in 2014.

    c. State whether service will be interrupted during the installation process.

    d. Explain how Columbia will ensure the integrity and accuracy of the information transmitted by the AMR device.

Response:

a. Columbia installed 18,695 automatic meter reading (AMR) devices from 2009 through June 2013. As of June 2013, 18,673 AMRs were in operation which represents approximately 13% of Columbia's customers.

b. Columbia anticipates the installation of approximately 120,000 AMR devices in 2014.

c. Columbia plans to retrofit the AMR devices on existing AMR compatible meters. This will result in over 99% of the AMR installations being completed without interruption of the customer's service. Service will be interrupted under circumstances where a meter replacement is required (Columbia estimates less than 1,000 of these occurrences).

d. Columbia is installing the Itron Mobile AMR system. Itron has sold over 40 million gas AMR units, representing the majority of AMR devices shipped in the industry. In addition to the AMR read, Columbia will also continue to have the option of reading the meter index. Lastly, the parameters which are currently built into Columbia's billing system for identification of questionable meter readings will continue to be utilized after the AMR system is installed.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

34. Explain whether installing AMR devices will impact the intervals at which gas meters will be inspected in accordance with 807 KAR 5:022, Section 26(5)(2).

Response:

No, installing AMR devices will not change the intervals at which gas meters are inspected as required by any statute or regulation.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO PSC STAFF'S THIRD REQUEST FOR INFORMATION
DATED AUGUST 15, 2013

35. Refer to the response to Item 8 of Lexington-Fayette Urban County Government's First Request. Explain whether any of the advertising amounts shown therein are considered institutional advertising as defined by 807 KAR 5:016, Section 4, Advertising Disallowed. If yes, provide the total amount included in the test period.

Response:

Except as identified below, the amounts in question do not constitute advertising within the definition provided in 807 KAR 5:016 Section 1 as there is not any "commercial use of any media, including newspaper, printed matter, radio and television, in order to transmit a message to a substantial number of members of the public or to utility consumers." Therefore, Section 4 is inapplicable. However, a closer review of the amounts in question has identified an amount of $383.45 to a particular vendor to purchase small calendars containing Columbia's logo which may have been distributed to

Columbia customers. Also, two other invoices to Sheehy & Associates totaling $313.75 for otherwise disallowed advertising were located. Therefore, these expenditures totaling $697.20 should be removed from the cost of service and deleted from the revenue requirement in this case.