

Columbia Gas
of Kentucky

A NiSource Company

200 Civic Center Drive
Columbus, Ohio 43215

August 28, 2013

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

RECEIVED

AUG 28 2013


**PUBLIC SERVICE
COMMISSION**

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 ten (10) copies of Columbia Gas of Kentucky, Inc.'s Responses to Lexington-Fayette Urban County Government's Data Requests Set Two. Should you have any questions about this filing, please contact me at 614-460-5558.

Very truly yours,



Brooke E. Leslie
Senior Counsel

Enclosures

CERTIFICATE OF SERVICE

I hereby certify that I have served a copy of the foregoing *Columbia Gas of Kentucky, Inc.'s Responses to Lexington-Fayette Urban County Government's Second Set of Data Requests* by U.P.S. Ground, postage prepaid, to the parties on this 28th day of August, 2013.

Interstate Gas Supply, Inc.
William H. May, III
Matthew R. Malone
The Equus Building
127 West Main Street
Lexington, KY 40507

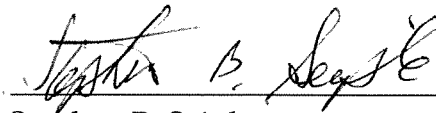
Hon. Dennis G. Howard II
Assistant Attorney General
Office of the Attorney General
1024 Capitol Center Drive, Suite 200
Frankfort, Kentucky 40601

Kentucky Industrial Utility
Customers, Inc.
Davis F. Boehm
Boehm, Kurtz & Lowery
36 East Seventh Street, Suite 1510
Cincinnati, Ohio 45202

Lexington-Fayette Urban County
Government
David J. Barberie
Department of Law
200 East Main Street
Lexington, Kentucky 40507

Iris G. Skidmore
415 W. Main Street, Suite 2
Frankfort, Kentucky 40601

Stand Energy Corporation
John M. Dosker
1077 Celestial Street
Rookwood Bldg., Suite 10
Cincinnati, Ohio 45202-1629



Stephen B. Seiple,
Assistant General Counsel

Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 001
Respondents: William J. Gresham and Chad E. Notestone

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

1. Refer to your response to LFUCG Request for Information Set One, Question No. 2. How many additional customers (and of which particular customer rate class) does Columbia anticipate adding to its overall system over the next 5 years? What is the anticipated level of additional revenue to Columbia as result of the addition of these customers?

Response:

The residential and commercial customer counts have been decreasing for many years because the number of customers lost has exceeded the number added. Columbia forecasts this trend to continue at a decreasing rate with attendant decreasing rates of change in volume and margin. See the accompanying table.

Columbia Gas of Kentucky
Customer Change
and resulting
MCF and Margin Change

Residential

	MCF	Average Customers	Margin Dollars
2013	(48,157)	(710)	(204,091)
2014	(40,988)	(611)	(164,457)
2015	(34,253)	(516)	(136,561)
2016	(28,885)	(439)	(118,223)
2017	(27,276)	(419)	(109,805)

Commercial

	MCF	Average Customers	Margin Dollars
2013	(49,926)	(102)	(98,306)
2014	(48,688)	(99)	(98,004)
2015	(38,764)	(79)	(77,195)
2016	(29,199)	(60)	(58,328)
2017	(25,606)	(52)	(50,958)

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 002
Respondent: Judy M. Cooper

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

2. Refer to your response to LFUCG Request for Information Set One, Question No. 9. What is the number of annual meter inspections performed by Columbia? What is the break down of this number by meter sampling program, odor complaint, or otherwise?

Response:

In 2012, Columbia performed 91,423 meter inspections. Of this number, 50,825 were part of required leakage inspections. The remaining 40,598 were done while on the customer's premise for some other kind of service work including a meter change, response to an odor of gas call, or a meter turn-on.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 003
Respondent: Judy M. Cooper

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

3. Refer to your response to LFUCG Request for Information Set One, Question No. 11. What is the estimate of the annual costs or expenses associated with disconnects for non-payment and for reconnect orders (please break down by category)?

Response:

Estimated annual costs total \$500,000 of which \$330,000 is for reconnect orders and \$170,000 is for disconnect orders.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 004
Respondent: Judy M. Cooper

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

4. Refer to your response to LFUCG Request for Information Set One, Question No. 15. What is the annual estimate of customers assisted for each of the last five (5) years?

Response:

Columbia has had no significant events in the last 5 years requiring any type of recovery effort.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 005
Respondent: Judy M. Cooper

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

5. Refer to your response to LFUCG Request for Information Set One, Question No. 16. Please explain in detail the "various types of technology for billing and payment options for nonresidential customers" which Columbia is exploring.

Response:

No details are available yet. The team that is exploring new billing and payment options for nonresidential customers is a NiSource Corporate Services cross-functional team composed of representatives from IT, Commercial Operations and Revenue Recovery. The team was assembled earlier this year and is in the formative stages of its work.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 006
Respondents: S. Mark Katko and Brad Bohrer

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

6. Refer to your response to LFUCG Request for Information Set One, Question No. 18. What is the estimated annual amount of savings in outside services expenses anticipated by Columbia?

Response:

Columbia anticipates outside services savings starting with the fourth quarter of 2014, resulting in an estimated reduction of \$199,731 to 2014 O&M expense. For 2015, net savings is anticipated to be approximately \$741,000. For 2016 and beyond, net savings is anticipated to be approximately \$767,000.

**COLUMBIA GAS OF KENTUCKY, INC.
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7. Refer to your response to Attorney General Data Request Set One, No. 28.

Is it Columbia's position that the "implicit intra-class subsidy that arises from one group of customers benefiting from conservation through savings on their bills that are greater than the cost savings experienced by the utility from that conservation" is currently occurring? If the answer is yes, please list each customer class for which this occurs and the relevant information and analysis supporting this conclusion.

Response:

Yes. This phenomenon occurs under all of Columbia's rate schedules where the total volumetric rate exceeds marginal cost, and that is true for all of the volumetric Delivery Charges reflected in Columbia's current rates because the only avoided cost from conservation is the avoided costs of purchased gas. Volumetric charges to customers include not only those included in Columbia's base rates, but also through the volumetric recovery of costs such

as EAP Rider charges. The net result is that customers who reduce their volumetric use through conservation save far more than avoided costs. As a result, conservation occurring under every Columbia rate schedule reduces its revenue by more than the actual cost savings. Since non-gas costs remain as system costs, they are effectively allocated back to all customers in Columbia's next rate case, or in the case of the EECR adjustment, on a real-time basis. In either event, for non-participants the additional share of costs they bear represents an intra-class subsidy from them to the conservation participants. It is also true that the conservation participants lose a small amount of their expected savings by virtue of the subsequent rate adjustments and the EECR charges. They also subsidize other customers as well. However, in total participants receive a far larger subsidy than they provide to others. It is also true that these subsidies typically are provided to members of the rate class who can afford to invest in conservation by those who cannot afford to implement these measures. That is, customers with less efficient furnaces, water heaters, and thermal envelopes subsidize those with more efficient appliances.

KY PSC Case No. 2013-00167
Response to LFUCG's Data Request Set Two No. 008
Respondents: Herbert A Miller, Jr. and Russell A. Feingold

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED AUGUST 14, 2013**

8. Refer to your response to Attorney General Data Request Set One, No. 29. Please fully explain what is meant by the use of the term "excessive incentives".

Response:

The term "excessive incentives" means charges assessed to customers that far exceed any marginal or avoided cost associated with their conservation actions. The only savings associated with added conservation are the avoided costs of purchased gas. There are no other reductions in costs that accrue to Columbia's gas delivery system despite the price signal given to customers that reduced gas use saves Columbia delivery costs of over \$1.87 per Mcf in its residential class.