

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JUN 26 2007

**PUBLIC SERVICE
COMMISSION**

IN THE MATTER OF AN ADJUSTMENT)
OF GAS RATES OF COLUMBIA GAS) CASE NO. 2007-00008
OF KENTUCKY, INC.)

**COLUMBIA GAS OF KENTUCKY, INC.'S
DATA REQUESTS SERVED UPON
THE OFFICE OF THE ATTORNEY GENERAL**

Pursuant to the Commission's Order in this case, dated April 19, 2007, Columbia Gas of Kentucky, Inc. ("Columbia") propounds the following data requests to be answered by the Office of the Attorney General in writing. These data requests shall be deemed to be continuing so as to require supplementary answers between the time the answers are served and the time of hearing.

INSTRUCTIONS FOR ANSWERING

(1) All responses shall be in writing, and each response shall identify the name and position of the person(s) who provided the response. Each data requests shall be answered separately and fully. Each response shall first restate the data request being answered.

(2) All responses to data requests shall be served upon Columbia at the offices of its attorneys in this proceeding:

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200 Civic Center Drive
P.O. Box 117
Columbus, OH 43216-0117
Telephone: (614) 460-4648
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Richard S. Taylor
225 Capital Avenue
Frankfort, KY 40601
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Email: attysmitty@aol.com

(3) You are reminded that all answers must be made separately and fully, and that an incomplete or evasive answer is a failure to answer.

(4) You are under a continuing duty to seasonably to supplement your response with respect to any question directly addressed to the identity and location of persons having knowledge of discoverable matters, the identity of any person expected to be called as an expert witness at hearing, and the subject matter of which he is expected to testify, and to correct any response which you know or later learn is incomplete or incorrect.

(5) All information is to be divulged which is in your possession or control or within the possession and control of your attorneys, investigators, agents, employees, or other representatives of you or your attorney.

(6) Where a data request calls for an answer in more than one part, each part should be separated in the answer so that the answer is clearly understandable.

(7) Where an objection is interposed to any data request, or part thereof, answer the data request all parts thereof to the extent not objected to.

(8) Identification. As used herein, the terms "identification," "identify," or "identity," when used in reference to (a) a natural individual, require you to state his or her full name and residential and business address; (b) a corporation, require you to state its full corporate name and any names under which it does business, its state of incorporation, the address of its principal place of business, and the address of all of its offices in Kentucky; (c) a business, require you to

state the full name or style under which the business is conducted, its business address or addresses, the types of businesses in which it is engaged, the geographic areas in which it conducts those businesses, and the identity of the person or persons who own, operate, and control the business; (d) a document, require you to state the number of pages and the nature of the document (e.g., letter of memorandum). Its title, its date, the name or names of its authors and recipients, and its present location and custodian; (e) a communication, require you, if any part of the communication was written, to identify the document or documents which refer to or evidence the communication, and, to the extent that the communication was non-written, to identify the person participating in the communication and to state the date, manner, place, and substance of the communication.

(9) Identification of documents. With respect to each data request, in addition to supplying the information requested, you are to identify all documents that support, refer to, or evidence the subject matter of each data request and your answer thereto.

If any or all documents identified herein are no longer in your possession, custody, or control because of destruction, loss, or any other reason, then do the following with respect to each and every such document: (a) describe the nature of the document (e.g., letter of memorandum); (b) state the date of the document; (c) identify the persons who sent and received the original copy of the document; (d) state in as much detail as possible the contents of the document; and (e) state the manner and date of disposition of the document.

If you contend that you are entitled to withhold from production any or all documents identified herein on the basis of the attorney-client privilege, the work-product doctrine, or other ground, then do the following with respect to each and every document; (a) describe the nature

of the document (e.g., letter of memorandum); (b) state the date of the document; (c) identify the persons who sent and received the original and a copy of the document; (d) state the subject matter of the document; and (e) state the basis upon which you contend you are entitled to withhold the document from production.

(10) Representative. As used herein, the term “representative” means any and all agents, employees, servants, officers, directors, attorneys, or other persons acting or purporting to act on behalf of the person in question.

(11) Person. As used herein, the term “person” means any natural individual in any capacity whatsoever or any entity or organization, including divisions, departments, and other units therein, and shall include, but not be limited to, a public or private corporation, partnership, joint venture, voluntary or unincorporated association, organization, proprietorship, trust, estate, governmental agency, commission, bureau, or department.

(12) Document. As used herein, the term “document” means any medium upon which intelligence or information can be recorded or retrieved, and includes, without limitation, the original and each copy, regardless of origin and location, of any book, pamphlet, periodical, letter, memorandum (including any memorandum or report of a meeting or conversation), invoice, bill, order form, receipt, financial statement, accounting entry, diary, calendar, telex, telegram cable, report, record, contract, agreement, study, handwritten note, draft, working paper, chart, paper, print, laboratory record, drawing, sketch, graph, index, list, tape, photograph, microfilm, data sheet or data processing card, electronic mail, computer discs or tapes, or computer-produced interpretations thereof, or any other written, recorded, transcribed, punched, taped,

filmed, or graphic matter, however produced or reproduced, which is in your possession, custody, or control or which was, but is no longer, in your possession, custody, or control.

(13) Communication. As used herein, the term “communication” means any oral or written utterance, notation, or statement of any nature whatsoever, by and to whomsoever made, including, but not limited to, correspondence, conversations, dialogues, discussions, interviews, consultations, agreement, and other understandings between or among two or more persons.

(14) Contention Data Request. When a data request requires you to “state the basis of” a particular claim, contention, or allegation, state in your answer the identity of each and every communication and each and every legal theory that you think supports, refers to, or evidences such claim, contention, or allegation.

(15) The Word “Or.” As used herein, the word “or” appearing in a data request should not be read so as to eliminate any part of the data request, but, whenever applicable, it should have the same meaning as the word “and.” For example, a data request stating “support or refer” should be read as “support and refer” if an answer that does both can be made.

DATA REQUESTS

Data Requests relating to the testimony of Mr. Woolridge:

1. Please provide an electronic copy of the Direct Testimony of Dr. Woolridge in its native format (i.e., Microsoft Word, WordPerfect, etc.).
2. Regarding the Schedules identified as Exhibit __ (JRW-1) through Exhibit __ (JRW-10), please provide an electronic copy of each schedule in its native format (i.e., Microsoft Excel, Lotus 1-2-3, etc.) with all formulas intact.
3. Regarding the Direct Testimony of J. Randall Woolridge, page 6, line 9. Please provide the yields on ten-year Treasury Bonds portrayed on the graph. The response should include both a hard copy and an electronic copy of the yields.
4. Regarding the Direct Testimony of J. Randall Woolridge, page 7, line 7. Please provide the yield spreads on Corporate Bonds rated Baa portrayed on the graph. The response should include both a hard copy and an electronic copy of the yields used to derive the spreads.
5. Regarding the Direct Testimony of J. Randall Woolridge, page 8, and footnote (1). Please provide a copy of the article “The Shrinking Equity Risk Premium” from which the quote was taken.
6. Regarding the Direct Testimony of J. Randall Woolridge, page 9, and footnote (2). Please provide a copy of the source document “Measuring Financial Risk in the Twenty-First Century.”
7. Regarding the Direct Testimony of J. Randall Woolridge, page 12, lines 13-15 and Exhibit __ (JRW- 2). Please provide a complete copy of the *AUS Utility Reports* for June 2007.
8. Regarding the Direct Testimony of J. Randall Woolridge, page 15, line 16 and footnote (3). Please provide a complete copy of the document “The Ultimate Poison Pill: Closing the Value Gap.”
9. Regarding the Direct Testimony of J. Randall Woolridge, page 16 line 23 and footnote (4). Please provide a complete copy of the document “A Note on Value Drivers.”
10. Regarding the Direct Testimony of J. Randall Woolridge, pages 16, 17, and 18. For each of the graphs please provide the individual data points and the source documents in both hard copy and electronically in their native format with all formulas intact and regression statistics for the Value Line Electric Companies, Gas Distribution Companies, and Water Companies.

11. Regarding the Direct Testimony of J. Randall Woolridge, page 19, lines 9-10 and page 1 of Exhibit__ (JRW- 4). Please provide the workpapers and source documents showing the data points for the yields on A-rated public utility bonds. These data should be in both hard copy and electronic formats.
12. Regarding the Direct Testimony of J. Randall Woolridge, page 20, lines 8-9 and pages 2 and 3 of Exhibit__ (JRW- 4). Please provide the workpapers and source documents showing the data points for the yearly “dividend yield,” “return on equity,” and “market-to-book ratios” for the Dow Jones Utilities.
13. Regarding the Direct Testimony of J. Randall Woolridge, page 21, lines 13-20 and Exhibit__ (JRW- 5). Please provide the names of the 30 firms and individual betas for the Natural Gas (Distribution) group.
14. Regarding the Direct Testimony of J. Randall Woolridge, page 23 lines 14-17. Please list each of the reasons why the CAPM provides a less reliable indication of the cost of equity for public utilities.
 - (a) Are these reasons unique to public utilities, or do they apply to all stocks?
 - (b) Please provide an explanation of each reason listed and provide copies of any empirical studies or other citations that support each reason.
15. Regarding the Direct Testimony of J. Randall Woolridge, page 25, and footnote (6). Please provide a copy of the chapter from the book that contains the referenced description of the Three-Stage DCF Model.
16. Regarding the Direct Testimony of J. Randall Woolridge, page 29, lines 1-6 and Exhibit__ (JRW- 6) page 2. Please provide a complete copy of each source document “AUS Utility Reports” for the monthly dividend yields covering the period January 2007 through June 2007.
17. Regarding the Direct Testimony of J. Randall Woolridge, page 29, line 15 and footnote (7). Please provide a complete copy of the direct testimony of Gordon and Gould before the F.C.C. in Docket No. 79-05.
18. Regarding the Direct Testimony of J. Randall Woolridge, page 30, lines 10. Please provide a citation to the future test-year end rate base that has been proposed in this case.
19. Regarding the Direct Testimony of J. Randall Woolridge, page 31, lines 11-18 and Exhibit__ (JRW- 6) page 5. Please provide a hardcopy of the source documents from Yahoo/First Call, Reuters, and Zacks.

20. Regarding the Direct Testimony of J. Randall Woolridge, page 31, lines 11-18 and Exhibit__ (JRW- 6) page 5. Please state the number of securities analysts that contribute to each of the growth rates published by Yahoo/First Call, Reuters, and Zacks for each of the individual companies.
21. Regarding the Direct Testimony of J. Randall Woolridge, page 31, lines 11-18. Please list the number of “sell side” and “buy side” analysts that have contributed to each forecast of earnings growth compiled by Yahoo/First Call, Reuters, and Zacks. Please provide a copy of the supporting data and source documents for the response.
22. Regarding the Direct Testimony of J. Randall Woolridge, page 38, line 14. Please provide in both hard copy and electronic forms the numerical values shown on the graph.
23. Regarding the Direct Testimony of J. Randall Woolridge, page 39, line 10. Please provide the source documents for the yields associated with the 2-year, 3-year, 5-year, 10-year, and 30-year maturities.
24. Regarding the Direct Testimony of J. Randall Woolridge, page 42, line 12. Please provide a complete copy of the source document from the *Journal of Portfolio Management* (Winter 2003) noted as the source.
25. Regarding the Direct Testimony of J. Randall Woolridge, page 43, line 8, and footnote (10). Please provide a copy of the source document from *Journal of Monetary Economics* (1985).
26. Regarding the Direct Testimony of J. Randall Woolridge, page 44, line 2, and footnote (11). Please provide a copy of the source document from *The Journal of Finance* (April 2002).
27. Regarding the Direct Testimony of J. Randall Woolridge, page 45, line 2, and footnote (12). Please provide a copy of the source document from the *Journal of Finance* (October 2001).
28. Regarding the Direct Testimony of J. Randall Woolridge, page 46, lines 1-14 and Exhibit__ (JRW- 7) page 3. Please provide the workpapers for the updated study results performed by Dr. Woolridge. Those workpapers should be in hard copy form and electronic form in their native format with all formulas intact.
29. Regarding the Direct Testimony of J. Randall Woolridge, page 46, line 2, and footnote (13). Please provide a copy of the source document entitled “Equity Risk Premium: Expectations Great and Small.”

30. Regarding the Direct Testimony of J. Randall Woolridge, page 47, line 2, and footnote (14). Please provide a copy of the source document from the *Financial Analysts Journal* (January 2003).
31. Regarding the Direct Testimony of J. Randall Woolridge, page 47, line 10, and footnote (15). Please provide a copy of the source document from the *Journal of Portfolio Management* (Winter 2003).
32. Regarding the Direct Testimony of J. Randall Woolridge, page 49, lines 1-3. Please provide a complete copy of the University of Michigan Consumer Research.
33. Regarding the Direct Testimony of J. Randall Woolridge, page 51, line 8, and footnote (17). Please provide a copy of the source document “The Real Cost of Equity.”
34. Regarding the Direct Testimony of J. Randall Woolridge, page 54, lines 14-17. Please provide a complete copy of the Graham and Harvey survey from March 2007 issue of *CFO Magazine*.
35. Regarding the Direct Testimony of J. Randall Woolridge, page 56, line 4, and footnote (19). Please provide a copy of the source document “The Perplexing Issue of Valuation: Will the Real Value Please Stand Up?”
36. Regarding the Direct Testimony of J. Randall Woolridge, page 56, line 15, and footnote (20). Please provide a copy of the source document “Welcome to Bull Country” and “Choosing the Right Mixture.”
37. Regarding the Direct Testimony of J. Randall Woolridge, page 58, line, 10, and footnote (21). Please provide a copy of the source document “The Real Cost of Equity” *McKinsey on Finance* (Autumn 2002).
38. Regarding the Direct Testimony of J. Randall Woolridge, page 58, lines 12-15, and page 3 of Exhibit__ (JRW- 7). Please provide a copy of each of the source documents listed on page 3 of this Exhibit used to calculate the “Equity Risk Premium.” Those source documents should include:

Ibbotson Associates, SBBI Yearbook, 2007.

James Claus and Jacob Thomas, “Equity Risk Premia as Low as Three Percent?”

Empirical Evidence from Analysts’ Earnings Forecasts for Domestic and International Stock Market.” *Journal of Finance*. (October 2001).

Eugene F. Fama and Kenneth R. French, “The Equity Premium,” *The Journal of Finance*, April. 2002.

Elroy Dimson, Paul Marsh, and Mike Staunton, "New Evidence puts Risk Premium in Context," *Corporate Finance* (March 2003)

Ivo Welch, "The Equity Risk Premium Consensus Forecast Revisited," (September 2001). Cowles Foundation Discussion Paper No. 1325.

Federal Reserve Bank of Philadelphia, *Survey of Professional Forecasters*, February 13, 2007

Marc H. Goedhart, Timothy M. Koller, and Zane D. Williams, "The Real Cost of Equity," *McKinsey on Finance* (Autumn 2002), p.14.

Roger Ibbotson and Peng Chen, "Long Run Returns: Participating in the Real Economy," *Financial Analysts Journal*, January 2003

39. Regarding the Direct Testimony of J. Randall Woolridge, page 65, line 22, and footnote (22). Please provide a copy of the source document "Utility Stocks and the Size Effect: An Empirical Analysis."
40. Regarding the Direct Testimony of J. Randall Woolridge, pages 66 through 69. In testimony previously submitted by Dr. Woolridge listed in Appendix A, has he ever proposed an allowance for flotation costs as part of the cost of equity? If the answer is affirmative, please provide a copy of that testimony. If not, please so state.
41. Regarding the Direct Testimony of J. Randall Woolridge, pages 66 through 69. Under what conditions would Dr. Woolridge propose a flotation cost adjustment? If there are none, please so state.
42. Regarding the Direct Testimony of J. Randall Woolridge, page 70, line 23, and footnote (23). Please provide a copy of the source document "The N-Stage Discount Model and Required Return: A Comment."
43. Regarding the Direct Testimony of J. Randall Woolridge, page 71, lines 13-16. Does Dr. Woolridge dispute that the research by Miller/Modigliani established a relationship between capital structure and the cost of capital? Please provide support for the response.
44. Regarding the Direct Testimony of J. Randall Woolridge, page 80, line 11, and footnote (25). Please provide a copy of the same document from the *Financial Analysts Journal* (January – February 1985).
45. Regarding the Direct Testimony of J. Randall Woolridge, page 82, line 9, and footnote (26). Please provide a copy of the source document from the *Journal of Financial Economics*, (1983).

46. Regarding the Direct Testimony of J. Randall Woolridge, page 85, lines 7-8, and Exhibit JRW-8. Please provide the workpapers in electronic form with all formulas intact and source documents for each yield and annual market return indicated on the graphs.
47. Regarding the Direct Testimony of J. Randall Woolridge, page 88 and 89, and Exhibit JRW-9. Please provide the workpapers in electronic form with all formulas intact and source documents for each of the projected returns.
48. Regarding the Direct Testimony of J. Randall Woolridge, page 95, and footnote (28). Please provide a copy of the source document “Analysts Still Coming Up Rosey-Over Optimism on Growth Rates is Rampant.”
49. Regarding the Direct Testimony of J. Randall Woolridge, page 97, line 1. Please provide the workpapers and source documents for each of the growth rates indicated on the chart. In particular, specify the years covered by the forecasts of growth and the years covered by the actual growth for each date point.
50. Regarding the Exhibit__ (JRW- 9). Please provide the workpapers and source documents for the equity returns, including: the dates of the Value Line reports, the years covered by the Value Line forecasts, the values used to calculate the (i) Value Line projected four-year return (ii) S&P 500 one-year returns, and (iii) the S&P 500 actual four-year returns.
51. Please provide a copy of the direct testimony and Exhibits submitted by Dr. Woolridge in the most recent Atmos rate case before the Kentucky PSC.

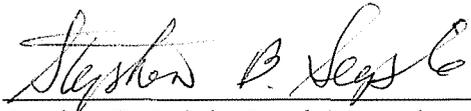
Data Requests relating to the testimony of Mr. King:

52. Regarding the Direct Testimony of Charles W. King, page 4, lines 14-15. Please explain how Mr. King believes that Columbia partially offsets base charge increases with reductions in commodity charges.
53. Regarding the Direct Testimony of Charles W. King, page 5, lines 4-5. Mr. King states that “all sales and transportation customers will pay the same customer and commodity rates.” Please explain how Mr. King believes this differs from Columbia’s current rate structure.
54. Regarding the Direct Testimony of Charles W. King, page 6, lines 1-2. Please explain why Mr. King believes that under Columbia’s proposed tariff, the distinction between interruptible and transportation services virtually disappears.
55. Regarding the Direct Testimony of Charles W. King, page 8, lines 12-15. Please describe the type of changed circumstances that might necessitate a re-examination of the appropriate balance between what portions of Columbia’s rates should be placed in the customer charge versus the portion applicable to the volumetric charge.

56. Regarding the Direct Testimony of Charles W. King, page 21, lines 1-6. Does Mr. King have a recommendation for the development of the surcharges to be used to recover AMRP costs from commercial and industrial customers. If so, please describe the recommendation and its rationale.
57. Regarding the Direct Testimony of Charles W. King, the table at top of page 12. Please provide the workpapers that show the calculation of the percentage increases or decreases for each customer class.
58. The increase in rates proposed in Columbia's application in this docket is \$12,645,522. Exhibit CWK-1, Schedule 6, attached to the Direct Testimony of Charles W. King reflects that the Company Requested Increase is \$12,504,091. Please reconcile the requested increase shown on Exhibit CWK-1, Schedule 6, attached to the Direct Testimony of Charles W. King with the \$12,645,522 included in Columbia's application.
59. Regarding the Direct Testimony of Charles W. King, page 8, lines 4-5. Please provide documentation that supports the assertion that gas customers have suffered triple-digit increases in the Gas Cost Adjustment in the last two years.
60. Regarding the Direct Testimony of Charles W. King, page 20, lines 6-12. Given that Mr. King objects to Columbia's AMRP rider, how would Mr. King propose that Columbia recover the costs of replacing aging gas mains and related portions of Columbia's distribution systems?

Dated at Columbus, Ohio, this 26th day of June, 2007.

Respectfully submitted,
COLUMBIA GAS OF KENTUCKY, INC.

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Attorneys for
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CERTIFICATE OF SERVICE

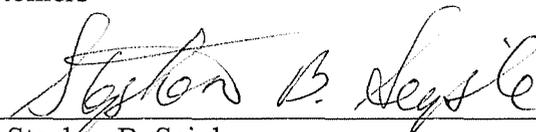
I hereby certify that a copy of the foregoing Motion to Strike of Columbia Gas of Kentucky, Inc. was served via either personal hand delivery, First Class U.S. Mail postage prepaid or overnight mail on the following parties, all on this 26th day of June 2007.

Hon. Dennis G. Howard, II
Hon. Lawrence W. Cook
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Hon. David J. Barberie
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