

March 7, 2011

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

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PUBLIC SERVICE
COMMISSION

**Re: Columbia Gas of Kentucky, Inc.
2011 Accelerated Main Replacement Program Filing**

Dear Mr. Derouen:

Pursuant to the Commission's Order dated October 26, 2009 in Case No. 2009-00141, Columbia Gas of Kentucky, Inc. ("Columbia") hereby encloses for filing with the Commission, an original and ten (10) copies of Columbia's 2011 annual update data submitted pursuant to the requirements of the Accelerated Main Replacement Program ("AMRP") Rider contained in Columbia's tariff. By updating the rider, Columbia proposes to increase its current rates to tariff customers effective May 31, 2011 (the beginning of Columbia's June billing cycle) as follows:

Rate GSR, Rate SVGTS – Residential Service	\$0.72
Rate GSO, Rate GDS, Rate SVGTS – Commercial or Industrial	\$2.69
Rate IUS, Rate IU DS	\$32.10
Rate IS, Rate DS ^{1/} , Rate SAS	\$161.38

^{1/} Excluding customers subject to Flex Provisions of Rate Schedule DS

The AMRP revenue requirement calculation has been revised from the previous filing, to reflect changes to the computation of deferred taxes on liberalized depreciation. This change is the reason for the restatement of the 2009 calendar year activity from that authorized in Case No. 2010-00143. The deferred taxes are calculated on the total plant additions plus the cost of removal. In the previous AMRP filing, deferred taxes were calculated using the total plant additions less total retirements and did not include the cost of removal. The change in the calculation of deferred taxes on liberalized depreciation has the effect of reducing the AMRP revenue requirement as compared to the revenue requirement that would have been generated without the change.

Please feel free to contact me at bleslie@nisource.com or 614-460-5558 if there are any questions.

Sincerely,



Brooke E. Leslie
200 Civic Center Drive
P. O. Box 117
Columbus, Ohio 43216-0117

Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40601

Attorneys for COLUMBIA GAS OF KENTUCKY, INC.

BEFORE THE
PUBLIC SERVICE COMMISSION
OF KENTUCKY

COLUMBIA GAS OF KENTUCKY, INC.

CASE 2011 -

AMRP ANNUAL FILING AND REVISED RATES OF
COLUMBIA GAS OF KENTUCKY, INC. PROPOSED TO BECOME
EFFECTIVE JUNE 2011 BILLINGS

Columbia Gas of Kentucky, Inc.
Annual Adjustment to the Accelerated Main Replacement Program
AMRP Rider by Rate Schedule

Line No.	<u>Rate Schedule</u> (1)	Base Revenue as Approved PSC Case No. 2009-00141 (2)	Allocation Percent /1 (3)	Revenue Requirement (4)	Billing Determinant # of Bills /2 (5)	Monthly AMRP Rider (6)
1	Rate GSR, Rate SVGTS - Residential Service	\$34,985,685	63.973%	\$1,026,860	1,432,383	\$0.72
2	Rate GSO, Rate GDS, Rate SVGTS - Com. or Ind. Service	\$15,193,128	27.781%	\$445,926	165,556	\$2.69
3	Rate IUS, Rate IUDS	\$22,785	0.042%	\$674	21	\$32.10
4	Rate IS, Rate DS ^{3/} , Rate SAS	\$4,486,725	8.204%	\$131,686	816	\$161.38
5	TOTAL	<u>\$54,688,323</u>	<u>100.000%</u>	<u>\$1,605,146</u>	<u>1,598,776</u>	

1/ Allocation percent is based on the overall base revenue distribution approved in PSC Case No. 2009-00141.

2/ Billing Determinants based on projected twelve months ending May 31, 2012 bills.

3/ Excluding customers subject to the Flex Provisions of Rate Schedule DS.

Columbia Gas of Kentucky, Inc.
Annual Adjustment to the Accelerated Main Replacement Program

Line No.		Actual Thru December 31, 2009 (1)	Activity Thru December 31, 2010 (2)	Total As Of December 31, 2010 (3)	Reference (4)
Return on Investment					
Rate Base					
1	AMRP Investment-Property, Plant and Equipment	7,496,721	5,321,755	12,818,476	Form 2.0
2	Cost of Removal	523,010	220,278	743,288	Form 2.0
3	Accumulated Reserve for Depreciation	<u>1,813,503</u>	<u>487,390</u>	<u>2,300,893</u>	Form 2.0
4	Net PP&E	9,833,233	6,029,423	15,862,656	
5	Deferred Taxes on Liberalized Depreciation	<u>(1,917,553)</u>	<u>(1,509,380)</u>	<u>(3,426,933)</u>	Form 2.1
6	Net Rate Base	7,915,680	4,520,043	12,435,723	Line 4 + Line 5
7	Authorized Rate of Return, Adjusted for Income Taxes	<u>11.58%</u>	<u>11.58%</u>		Form 1.2
8	Return on AMRP Related Investment	<u>916,414</u>	<u>523,294</u>	<u>1,439,708</u>	Line 6 * Line 7
Operating Expenses					
9	Annualized Depreciation	145,656	106,052	251,708	Form 2.0
10	Current Year O & M Account 887	1,590,535	1,410,569	3,001,104	Per FERC Form 2 Pg. 324
11	O&M Account 887 as approved in Case No. 2009-00141	<u>1,496,839</u>	<u>1,496,839</u>	<u>2,993,678</u>	
12	O&M Savings Realized	-	(86,270)	(86,270)	Line 10 less Line 11
13	Total Operating Expenses	145,656	19,782	165,438	Line 9 + Line 12
14	Total Annual Revenue Requirement	<u>1,062,070</u>	<u>543,076</u>	<u>1,605,146</u>	Line 8 + Line 13

Columbia Gas of Kentucky, Inc.
Annual Adjustment to the Accelerated Main Replacement Program
Rate of Return

<u>Line No.</u>	<u>Capital Structure</u> (1)	<u>Ratio</u> (2)	<u>Cost</u> (3)	<u>Weighted Cost</u> (4)	<u>Pre-Tax @ Effect tax of 38.90%</u> (5)
1	Short term Debt	5.43%	3.24%	0.18%	0.18%
2	Long term Debt	42.56%	5.76%	2.45%	2.45%
3	Equity	<u>52.02%</u>	10.50%	<u>5.47%</u>	<u>8.95%</u>
4	Total	100.00%		8.10%	11.58%

Columbia Gas of Kentucky, Inc.
Annual Adjustment to the Accelerated Main Replacement Program
Book Depreciation

Line No.	Description (1)	Account Number (2)	2010 Beginning Plant Balance (3)	Depr Rates (4)	Depr on Beginning Balance (5)=(3)*(4)	2010 Additions & Retirements (6)	Current Year Depr on Adds/(Ret) (7)=(4)*(6)*50%	Current Year Annualized Depreciation (8)=(6)*(4)	2010 Ending Plant Balance (9)=(6)+(3)
Additions									
1	Mains-AMRP	376.25	5,247,698	1.57%	82,389	3,329,403	26,136	52,272	8,577,101
2	Plant Regulators	378.25	52,581	2.35%	1,236	-	-	-	52,581
3	Service Lines	380.25	3,827,494	2.59%	99,132	2,622,908	33,967	67,933	6,450,402
4	Meter Installations	382.25	84,253	2.39%	2,014	55,515	663	1,327	139,768
5	House Regulators	383.25	<u>171,025</u>	1.39%	<u>2,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,025</u>
6	Total Additions		9,383,051		187,148	6,007,826	60,766	121,532	15,390,877
Retirements									
7	Mains-AMRP	376.25	(657,906)	1.57%	(10,329)	(216,127)	(1,697)	(3,393)	(874,033)
8	Plant Regulators	378.25	(50,651)	2.35%	(1,190)	-	-	-	(50,651)
9	Service Lines	380.25	(1,067,671)	2.59%	(27,653)	(428,088)	(5,544)	(11,087)	(1,495,759)
10	Meter Installations	382.25	(78,907)	2.39%	(1,886)	(41,856)	(500)	(1,000)	(120,763)
11	House Regulators	383.25	<u>(31,196)</u>	1.39%	<u>(434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,196)</u>
12	Total Retirements		(1,886,331)		(41,492)	(686,071)	(7,741)	(15,480)	(2,572,402)
13	Total Plant		<u>7,496,721</u>		<u>145,656</u>	<u>5,321,755</u>	<u>53,025</u>	<u>106,052</u>	<u>12,818,476</u>
Cost of Removal									
15	Mains-AMRP	376.25	45,085			8,953			54,038
16	Plant Regulators	378.25	14,091			-			14,091
17	Service Lines	380.25	<u>463,833</u>			<u>211,325</u>			<u>675,158</u>
18	Total Cost of Removal		523,010			220,278			743,288

Columbia Gas of Kentucky, Inc.
Annual Adjustment to the Accelerated Main Replacement Program

Ln. No.	MACRS w/o Bonus		50% Bonus	100% Bonus	Year (5)	2009	2010	2011	2012	Annual	Cost of Removal (11)	Book Depreciation (12)	Difference (13)	1_/Deferred Tax @ 38.9% (14)	Accumulated Deferred Inc. Taxes (15)	
	2008-2009	2010	Pre 9/8/2010	Post 9/8/2010		Year 1	Year 2	Year 3	Year 4	Tax Depreciation (10)						
	Tax Rate Life Rates (1)	Tax Rate Life Rates (2)	Tax Rate Life Rates (3)	Tax Rate Life Rates (4)		Additions (6)	Additions (7)	Additions (8)	Additions (9)	Depreciation (10)						
	%	%	%	%		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	
1	Additions Post 9/8/2010							1,170,333								
2	Additions Pre 9/8/2010						9,383,051	4,837,493	-	-						
3	Total						9,383,051	6,007,826	-	-						
Tax Depreciation																
4	0.05000	0.05000	0.52500	1.00000	1	4,926,102				4,926,102	523,010	72,828	5,376,284	1,917,553	1,917,553	
5	0.09500	0.09500	0.04750	-	2	445,695	3,710,017			4,155,712	220,278	198,681	4,177,309	1,509,380	3,426,933	
6	0.08550	0.08550	0.04275	-	3	401,125	229,781	-		630,906		-	630,906	274,363	3,701,296	
7	0.07700	0.07700	0.03850	-	4	361,247	206,803	-	-	568,050		-	568,050	247,027	3,948,324	
8	0.06930	0.06930	0.03465	-	5	325,123	186,243	-	-	511,366		-	511,366	222,379	4,170,702	
9	0.06230	0.06230	0.03115	-	6	292,282	167,619	-	-	459,901		-	459,901	200,000	4,370,703	
10	0.05900	0.05900	0.02950	-	7	276,800	150,688	-	-	427,488		-	427,488	185,809	4,556,511	
11	0.05900	0.05900	0.02950	-	8	276,800	142,706	-	-	419,506		-	419,506	182,242	4,738,753	
12	0.05910	0.05910	0.02955	-	9	277,269	142,706	-	-	419,975		-	419,975	182,442	4,921,195	
13	0.05900	0.05900	0.02950	-	10	276,800	142,948	-	-	419,748		-	419,748	182,350	5,103,544	
14	0.05910	0.05910	0.02955	-	11	277,269	142,706	-	-	419,975		-	419,975	182,442	5,285,986	
15	0.05900	0.05900	0.02950	-	12	276,800	142,948	-	-	419,748		-	419,748	182,350	5,468,336	
16	0.05910	0.05910	0.02955	-	13	277,269	142,706	-	-	419,975		-	419,975	182,442	5,650,778	
17	0.05900	0.05900	0.02950	-	14	276,800	142,948	-	-	419,748		-	419,748	182,350	5,833,128	
18	0.05910	0.05910	0.02955	-	15	277,269	142,706	-	-	419,975		-	419,975	182,442	6,015,570	
19	0.02950	0.02950	0.01475	-	16	138,400	142,948	-	-	281,348		-	281,348	123,114	6,138,684	
20	-	-	-	-	17	-	71,353	-	-	71,353		-	71,353	31,885	6,170,569	
21	-	-	-	-	18	-	-	-	-	-		-	-	-	6,170,569	
22	-	-	-	-	19	-	-	-	-	-		-	-	-	6,170,569	
23	-	-	-	-	20	-	-	-	-	-		-	-	-	6,170,569	
24	-	-	-	-	21	-	-	-	-	-		-	-	-	6,170,569	
25	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
26	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
27	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
28	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
29	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
30	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
31	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
32	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
33	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
34	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
59	-	-	-	-		-	-	-	-	-		-	-	-	6,170,569	
60							9,383,050	6,007,826	-	-	15,390,876	271,509				

Calculation of State Disallowance on Bonus Tax Depreciation for 2009 Additions

		State vs. Fed		State ADIT		Total	Cumulative
		State Tax Depr	Tax Depr	on Disallowed Bonus	Fed Benefit ADIT		
2009	1	469,153	4,456,949	267,417	(93,596)	173,821	173,821
2010	2	891,390	(445,695)	(26,742)	9,360	(17,382)	156,439
2011	3	802,251	(401,126)	(24,068)	8,424	(15,644)	140,795
2012	4	722,495	(361,248)	(21,675)	7,586	(14,089)	126,706
2013	5	650,245	(325,122)	(19,507)	6,828	(12,680)	114,027
2014	6	584,564	(292,282)	(17,537)	6,138	(11,399)	102,628
2015	7	553,600	(276,800)	(16,608)	5,813	(10,795)	91,832
2016	8	553,600	(276,800)	(16,608)	5,813	(10,795)	81,037
2017	9	554,538	(277,269)	(16,636)	5,823	(10,814)	70,224
2018	10	553,600	(276,800)	(16,608)	5,813	(10,795)	59,428
2019	11	554,538	(277,269)	(16,636)	5,823	(10,814)	48,615
2020	12	553,600	(276,800)	(16,608)	5,813	(10,795)	37,820
2021	13	554,538	(277,269)	(16,636)	5,823	(10,814)	27,006
2022	14	553,600	(276,800)	(16,608)	5,813	(10,795)	16,211
2023	15	554,538	(277,269)	(16,636)	5,823	(10,814)	5,398
2024	16	276,800	(138,400)	(8,304)	2,906	(5,398)	(0)
		9,383,051	(1)	(0)	0	(0)	

Calculation of State Disallowance on Bonus Tax Depreciation for 2010 Additions

		State vs. Fed		State ADIT		Total	Cumulative
		State Tax Depr	Tax Depr	on Disallowed Bonus	Fed Benefit ADIT		
2010	1	300,391	3,409,626	204,578	(71,602)	132,975	132,975
2011	2	570,743	(340,962)	(20,458)	7,160	(13,298)	119,678
2012	3	513,669	(306,866)	(18,412)	6,444	(11,968)	107,710
2013	4	462,603	(276,360)	(16,582)	5,804	(10,778)	96,932
2014	5	416,342	(248,723)	(14,923)	5,223	(9,700)	87,232
2015	6	374,288	(223,600)	(13,416)	4,696	(8,720)	78,511
2016	7	354,462	(211,756)	(12,705)	4,447	(8,258)	70,253
2017	8	354,462	(211,756)	(12,705)	4,447	(8,258)	61,995
2018	9	355,063	(212,115)	(12,727)	4,454	(8,272)	53,722
2019	10	354,462	(211,756)	(12,705)	4,447	(8,258)	45,464
2020	11	355,063	(212,115)	(12,727)	4,454	(8,272)	37,191
2021	12	354,462	(211,756)	(12,705)	4,447	(8,258)	28,933
2022	13	355,063	(212,115)	(12,727)	4,454	(8,272)	20,660
2023	14	354,462	(211,756)	(12,705)	4,447	(8,258)	12,402
2024	15	355,063	(212,115)	(12,727)	4,454	(8,272)	4,129
2025	16	177,231	(105,878)	(6,353)	2,223	(4,129)	0
2026	17	-	-	-	-	-	-
2027	18	-	-	-	-	-	-
2028	19	-	-	-	-	-	-
2029	20	-	-	-	-	-	-
2030	21	-	-	-	-	-	-
		6,007,826	0	0	(0)	0	

FERC FORM 2
FOR YEAR ENDED 2010
PAGE 234

Columbia will supplement the record with a copy of this page
when the 2010 FERC Form 2 is filed on March 31, 2011

PROPOSED TARIFF SHEETS

COLUMBIA GAS OF KENTUCKY, INC.

**RIDER AMRP
ACCELERATED MAIN REPLACEMENT PROGRAM RIDER**

APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules GS, IS, IUS, SVGTS, DS and SAS.

CALCULATION OF ACCELERATED MAIN REPLACEMENT RIDER REVENUE REQUIREMENT

The AMRP Rider Revenue Requirement includes the following:

- a. AMRP-related Plant In-Service not included in base gas rates minus the associated AMRP-related accumulated depreciation and accumulated deferred income taxes;
- b. Retirement and removal of plant related to AMRP construction;
- c. The rate of return on the net rate base is the overall rate of return on capital authorized in the Company's latest base gas rate case, grossed up for federal and state income taxes;
- d. Depreciation expense on the AMRP = related Plant In-Service less retirement and removals; and;
- e. Reduction for savings in Account No. 887 – Maintenance of Mains.

ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

All customers receiving service under Rate Schedules GSR, GSO, IS, IUS, SVGTS, DS, GDS and SAS shall be assessed a monthly charge in addition to the Customer Charge component of their applicable rate schedule that will enable the Company to complete the accelerated main replacement program.

Rider AMRP will be updated annually, in order to reflect the impact on the Company's revenue requirements of net plant additions as offset by operations and maintenance expense reductions during the most recent twelve months ended December. Such adjustment to the Rider will become effective with meter readings on and after the first billing cycle of June, and will reflect the allocation of the required revenue increase based on the revenue distribution approved by the Commission.

The charges for the respective gas service schedules for the revenue month beginning August 2010 per billing period are:

Rate GSR, Rate SVGTS - Residential Service	\$ 0.72
Rate GSO, Rate GDS, Rate SVGTS - Commercial or Industrial Service	\$ 2.69
Rate IUS, Rate IUDS	\$ 32.10
Rate IS, Rate DS ^{1/} , Rate SAS	\$161.38

^{1/} - Excluding customers subject to Flex Provisions of Rate Schedule DS

DATE OF ISSUE: March 7, 2011

DATE EFFECTIVE: May 31, 2011
(Unit 1 June 2011 Billing Cycle)

Issued by: 

President

COLUMBIA GAS OF KENTUCKY, INC.

**RIDER AMRP
 ACCELERATED MAIN REPLACEMENT PROGRAM RIDER**

APPLICABILITY

Applicable to all customers receiving service under the Company's Rate Schedules GS, IS, IUS, SVGTS, DS and SAS.

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ACCELERATED MAIN REPLACEMENT PROGRAM FACTORS

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The charges for the respective gas service schedules for the revenue month beginning August 2010 per billing period are:

Rate GSR, Rate SVGTS - Residential Service	\$ 0.50 <u>0.72</u>
Rate GSO, Rate GDS, Rate SVGTS - Commercial or Industrial Service	\$ 4.87 <u>2.69</u>
Rate IUS, Rate IUDS	\$ 49.74 <u>32.10</u>
Rate IS, Rate DS ^{1/} , Rate SAS	\$ 108.49 <u>161.38</u>

^{1/} - Excluding customers subject to Flex Provisions of Rate Schedule DS

DATE OF ISSUE: ~~July 26, 2010~~ March 7, 2011

DATE EFFECTIVE: ~~July 29, 2010~~ May 31, 2011
 (Unit 1 August ~~2010~~ June 2011 Billing Cycle)

Issued by authority of an Order of the Public Service Commission in Case No. 2010-00143 dated July 12, 2010

Issued by: Herbert A. Miller, Jr.

President