

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF	)	
KENTUCKY, INC. FOR AN ADJUSTMENT	)	CASE NO. 2013-00167
OF RATES FOR GAS SERVICE	)	

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION  
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due by August 28, 2013. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Columbia fails or refuses to furnish all or part of the requested information, Columbia

shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

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.

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.

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.

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?).

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

6. Refer to the response to Item 9.a. of Staff's 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.

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.

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.

9. Refer to Attachment A of the response to Item 9.f. of Staff's 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.

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 Staff's Second Request.

11. Refer to the response to Item 14 of Staff's 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.

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.

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 Columbia's Non-AMRP construction, calculated as a 10-year mathematical average, is 92.485 percent

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.

15. Refer to Item 25 of Staff's 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.

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.

17. Refer to the weather normalization calculations provided in response to Item 21.c. of Staff's 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.

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.

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.

20. Refer to the response to Item 51 of Staff's 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.

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.

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.

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.

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 than 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.

25. Refer to the response to Item 72 of Staff's 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.

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

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.

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.

29. 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.

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.

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.

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).

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.

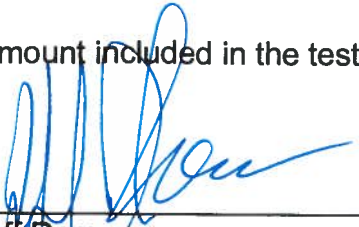
b. State how many AMR devices are scheduled to be installed in 2014.

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.

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).

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.



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Dated AUG 15 2013

cc: Parties of Record

Case No. 2013-00167

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