COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2007-00008

SECOND DATA REQUEST OF COMMISSION STAFF
TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 24, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. Refer to the Application, Tab 27. The provided schedule is to reflect the reconciliation of the rate base and capital used to determine Columbia's revenue

requirement. However, the rate base shown on the schedule does not agree with the rate base provided in Schedule B-1 of the Application. Likewise, the capitalization does shown in Tab 27 does not agree with the capitalization provided in Schedule J-1 of the Application.

a. Explain in detail why the rate base and capital presented in Tab 27 do not agree with Schedules B-1 and J-1.

b. Provide the originally required reconciliation of rate base and capital. The reconciliation should begin with the proposed rate base, then list and identify all reconciling items, and conclude with the proposed capital.

2. Refer to the Application, Tab 28.

a. Refer to page 16. Does Columbia sell its customer accounts receivable? If yes, provide a complete description of this financing option, including when Columbia started the program, all terms and conditions related to the sale of customer accounts receivable, and who bears the risk if the sold customer accounts receivable becomes uncollectible. In addition, describe how this financing option affected Columbia's Kentucky operations during the test year.

b. For each of the account titles listed below, describe the account and the activity recorded in this account. Also indicate whether this account includes activity for Columbia's Kentucky operations and the applicable Kentucky operations balance for the account as of test-year end.

(1) Page 14, Other Accounts Receivable – Receivable – Lake Choctaw.

(2) Page 18, Prepayments – Pension Restoration Plan.

(3) Page 21, Deferred Assets – Longwall Mining Project.

(4) Page 21, Other Current Regulatory Assets – Super 8 Motel.

(5) Page 56, Special Employee Severance Program – Delayering – Out Place.

(6) Page 77, A&G Expenses, Supplies/Expenses – Volunteer Activity.

(7) Page 84, A&G Expenses, Supplies/Expenses – Name Change (Expenses).

(8) Page 87, A&G Expenses, Supplies/Expenses – STRIVE.

(9) Page 87, A&G Expenses, Supplies/Expenses – Project Phoenix.

(10) Page 96, A&G Expenses, Outside Services – Education 2000.

3. Refer to the Application, Tab 31, the Federal Energy Regulatory Commission's ("FERC") Form 2 for 2005. For each of the following items, explain the nature of the transaction represented by the entry and explain why this amount has been recorded in the particular account.

a. Page 233, Miscellaneous Deferred Debits, Civic Center Building Lease.

b. Page 234, Accumulated Deferred Income Taxes, Consolidated Rate Effect of Net Operating Loss.

c. Page 268, Miscellaneous Current and Accrued Liabilities, Accrual for Exchange Gas.

d. Page 268, Miscellaneous Current and Accrued Liabilities, Accrual for Customer A/R Credit Balances.

e. Page 269, Other Deferred Credits, Civic Center Building Lease.

f. Page 269, Other Deferred Credits, Nicole Energy Reserve.

g. Page 269, Other Deferred Credits, Lake Carnico Capital Project.

4. Refer to the Application, Tab 32. Provide a schedule that compares the current and proposed depreciation rates, by account number and asset groups.

5. Refer to the Application, Tab 32, pages III-4 and III-5.

a. Identify any asset accounts where the information on these pages indicates that the asset has been fully depreciated or will be fully depreciated within 12 months of the end of the depreciation study. If the depreciation study proposes a continuing depreciation rate for an asset that is shown to be fully depreciated, explain in detail why a depreciation rate is necessary for that asset.

b. For each of the accounts listed below, explain why the net salvage value was selected, considering the data provided on the referenced pages.

(1) Account No. 375.34, Structures and Improvements – Measuring and Regulating; pages III-87 and III-88.

(2) Account No. 376, Mains, all types; pages III-92 and III-93.

(3) Account No. 378, Measuring and Regulating Station Equipment – General; pages III-94 and III-95.

(4) Account No. 379.1, Measuring and Regulating Station Equipment – City Gate; pages III-96 and III-97.

(5) Account No. 380, Services, all types; pages III-98 and III-99.

(6) Account No. 381, Meters; pages III-100 and III-101.

(7) Account No. 382, Meter Installations; pages III-102 and III-103.

(8) Account No. 383, House Regulators; pages III-104 and III-105.

(9) Account No. 387.2, Other Equipment – Odorization; pages III-110 through III-113.

(10) Account No. 396, Power Operated Equipment; pages III-114 and III-115.

c. For each of the accounts listed below, explain how the specific annual accrual rate and composite remaining life values were determined from the data contained on the referenced pages. Include all calculations, assumptions, and other supporting documentation.

(1) Account No. 375.7, Other Distribution System – Other Buildings and Distribution System Structures; pages III-124 and III-125.

(2) Account No. 376, Mains, all types; pages III-128 through III-133.

(3) Account No. 380, Services, all types; pages III-137 through III-139.

d. For each of the accounts or account categories listed below, explain how the calculated annual accrual rate was determined. Include all calculations, assumptions, and other supporting documentation.

(1) Total Account 387, Other Equipment.

(2) Total Distribution Plant.

(3) Total Account 394, Tools, Shop and Garage Equipment.

(4) Total General Plant.

(5) Total Depreciable Plant.

6. Refer to the Application, Tab 38.

a. Concerning costs allocated to Columbia by NiSource Corporate Services Company ("NCSC"), can costs related to NiSource, Inc.'s ("NiSource") electric operations and non-regulated, non-gas operations be allocated to Columbia's Kentucky operations? Explain the response.

b. Concerning the "Bases of Allocation" factors applied by NCSC to allocate costs, are NiSource's regulated electric and gas operations separated or combined when calculating the bases? Explain the response.

c. If the Bases of Allocation factors reflect a combination of NiSource's regulated electric and gas operations, explain why it is reasonable, from the rate-making perspective, that costs associated with NiSource's regulated electric operations should be charged to Columbia's Kentucky gas operations.

7. Refer to the Direct Testimony of Herbert A. Miller, Jr. ("Miller Testimony"), page 6. When compared to the Accelerated Main Replacement Program ("AMRP") the Commission approved for The Union Light, Heat and Power Company ("ULH&P") in January 2002,[1] Columbia's proposed AMRP would replace 3.6 times as many miles of

[1] Case No. 2001-00092, Adjustment of Gas Rates of The Union Light, Heat and Power Company, final Order dated January 31, 2002. As a result of the merger of Cinergy Corp. and Duke Energy Corporation, ULH&P is now known as Duke Energy Kentucky, Inc. ("Duke Kentucky"). The reference to Duke Kentucky will be utilized through the remainder of this data request.

pipe in just twice the time period. Explain how Columbia developed its time frame of 20 years for its AMRP.

8. Refer to the Miller Testimony, page 10.

a. What type of customers will Columbia's new employee in the New Business function attempt to attract?

b. Does Columbia have any other employees who are designated to attract new customers?

9. Provide the cost that Columbia will incur in converting its billing system from utilizing a minimum bill to a customer charge. Include all workpapers, calculations, and assumptions used to determine the conversion cost.

10. Refer to the Direct Testimony of James M. Webb ("Webb Testimony"), page 12, line 20. Concerning the replacement of bare steel ("BS") pipes since the late 1960s, the Direct Testimony of Edwin Humphries ("Humphries Testimony"), page 8, states that Columbia's current replacement is 9 miles per year.

a. What was Columbia's replacement program for BS and cast iron ("CI") prior to the Stone and Webster ("S&W") studies?

b. How many miles of BS and CI pipe have been replaced on the Columbia system since the late 1960s?

11. Columbia owns and maintains the service lines. Why is the replacement of the 15,000 BS service lines included in the proposed AMRP program? Explain the response.

12. Refer to the Webb Testimony, page 13, lines 12 and 13. Mr. Webb states that Columbia has averaged over 1,360 corrosion leaks per year over the past 5 years.

However, this statement does not appear to agree with the information provided in the Humphries Testimony, Figures 2 through 5 and 7. Reconcile the differences between the statement in Mr. Webb's testimony and the data provided by Mr. Humphries. Explain in detail the differences between the information.

13. Refer to the Webb Testimony, page 15. Mr. Webb indicates that the most cost-effective method of replacement is an area-based replacement strategy.

a. Has Columbia committed itself to employing the area-based replacement strategy as part of its AMRP? Explain the response.

b. Describe the actions Columbia has undertaken to date to plan for the utilization and implementation of such an area-based replacement strategy.

c. If the Commission did not approve the proposed AMRP cost recovery mechanism, would Columbia still employ the area-based replacement strategy to replace its existing BS and CI mains? Explain the response.

14. Refer to the Webb Testimony, page 18. Provide the workpapers, calculations, and assumptions used to determine Columbia's annual investment in the AMRP would be approximately $9.9 million.

15. Refer to the Webb Testimony, page 21, line 6. The S&W studies recommended a replacement of 27 miles of BS and CI pipe per year for 20 years. Provide the feasibility study and other criteria taken into consideration for choosing the 20-year program.

16. Refer to the Webb Testimony, page 21. Provide all calculations, workpapers, assumptions, and other documentation used to determine the cost per foot estimates Mr. Webb states at lines 21 through 23.

17. Refer to the Webb Testimony, Exhibit 1. Indicate which components shown on the schedule titled “Columbia Gas of Kentucky Infrastructure Breakdown” would be included in the proposed AMRP.

18. Refer to the Humphries Testimony, page 4, line 80. Mr. Humphries states that 10 percent of coated steel was not cathodically protected. Explain why Columbia ignored protecting the coated steel pipes for so many years.

19. Refer to the Humphries Testimony, page 4. The data shows there were 6,018 leaks over the last 15 years.

a. What was the cost of repairing those leaks each year?

b. Explain why Columbia ignored controlling the high rate of leaks, which has been, according to the S&W study, six times higher than the cathodically protected and plastic pipes.

20. Refer to the Humphries Testimony, page 6.

a. In selecting comparison companies for the analysis, explain why the following companies were not included:

(1) Bay State Gas Company.

(2) Columbia Gas of Maryland, Inc.

(3) Columbia Gas of Ohio, Inc. (“Columbia Ohio”).

(4) Columbia Gas of Pennsylvania, Inc.

(5) Columbia Gas of Virginia, Inc.

b. Would it have been reasonable to have reviewed the data for these NiSource-affiliated distribution companies in conjunction with this analysis? Explain the response.

21. Refer to the Humphries Testimony, page 8, lines 160 through 171. If the corrosion continues at the same rate, why does Mr. Humphries consider 20 years to be a very manageable schedule for replacement of BS and CI pipes in Columbia's distribution system?

22. Refer to the Humphries Testimony, page 8. Mr. Humphries includes a chart showing the current removal rates of selected gas companies. In proposing an AMRP, does accelerated mean a specific number of years or simply replacing the mains at a faster rate than previously experienced? Explain the response.

23. Is S&W providing regression analysis for replacing BS and CI mains and BS service lines? If yes, explain how it is going to be implemented in the proposed program.

24. Will Columbia establish bid documents for the annual main replacement plan? Explain the response.

25. Refer to the Humphries Testimony, Figure 3. Figure 3 shows there are a substantial number of leaks, excluding third party and corrosion. Explain the types of these leaks and whether Columbia has any program to control and reduce them.

26. Refer to the Humphries Testimony, Figure 7. Figure 7 shows the leaks in some service areas in Frankfort and Lexington are much higher than the average in Columbia's system. Provide the program that shows a priority replacement to sections of BS and CI pipes due to the severity of historic leaks.

27. Refer to the Humphries Testimony, Figures 1 and 3 through 9. Several of the black and white versions of the graphs are difficult to read and evaluate. Provide color copies of all graphs presented in these figures.

28. Provide maps showing the locations of BS and CI pipes, if available. If maps are not available, when could Columbia provide the maps?

29. Refer to the Direct Testimony of Judy M. Cooper ("Cooper Testimony"), page 6 and Attachment JMC-1.

a. For clarification, is one hour the average time it takes an employee to reconnect a customer?

b. Provide, in detail, what is included in "overheads" in both the reconnect fee and the returned check fee calculation.

c. Explain why Columbia decided to round down to the nearest $5 increment rather than rounding up.

d. Columbia states that it applied a "behavioral factor" of 75 percent to its calculation of the increase in revenue that it expects to receive from the reconnect fee and the returned check fee. Explain how Columbia developed the behavioral factor.

e. Has Columbia previously proposed a behavioral factor? If yes, provide the case number.

f. Provide the charge that Columbia incurs when a deposited check is returned.

30. Refer to the Cooper Testimony, page 7. Provide the number of customers that subscribe to the Banking and Balancing service.

31. Refer to the Cooper Testimony, page 8. Columbia is proposing to change the cash-out provision in order to tie the cash-out price to an index. Explain why any sales by Columbia to the customer under this tariff are charged at 120 percent of the

index, while any purchases by Columbia from the customer are only paid at 80 percent of the index.

32. Refer to the Cooper Testimony, page 10. Will the customers participating in the Choice Program benefit from the AMRP? If yes, will they share the costs of the program and how?

33. Refer to the Cooper Testimony, pages 11 through 16.

a. Columbia proposes to submit its annual AMRP Rider filing on or about March 1 to be effective with bills rendered in its June billing cycle. Was Columbia aware that in the Duke Kentucky AMRP, the Commission reserved the option of extending the review period, and generally has not approved the change in the Duke Kentucky AMRP Rider until the end of August?

b. Provide examples of the AMRP filing formats Columbia would propose utilizing for its annual AMRP Rider filing.

c. Was Columbia aware that in Duke Kentucky's AMRP Rider the Commission approved the mechanism for an initial 3-year period and required that, if Duke Kentucky wished to continue the AMRP Rider, it needed to file a general rate case application to "roll-in" the Rider and to justify the continuation of the AMRP Rider?

d. Would Columbia be opposed to a similar process of having approval for an initial period of years, with a roll-in of the Rider, and a justification of continuing the AMRP Rider as part of a future general rate case? Explain the response.

e. Explain why the monthly charge resulting from the AMRP Rider should be a per-customer charge rather than a volumetric-based charge.

34. Refer to the Cooper Testimony, pages 17 through 19.

a. Explain further how capitalizing interest after plant is placed in service and deferring depreciation expense and property taxes related to that plant will convince customers to attach to Columbia's system.

b. As envisioned in Columbia's proposed Post In-Service Carrying Charges ("PISCC"), define what constitutes a new business project.

c. Provide a detailed description of Columbia Ohio's PISCC. Include when the PISCC was approved, the goals of the program, and why Columbia Ohio believed the program was necessary. If one of the goals of the Columbia Ohio PISCC was to have an improved growth in the number of customers, provide an analysis of the success of the Columbia Ohio PISCC in achieving that goal.

d. As described in the testimony, the proposed PISCC appears to be an attempt to reduce the regulatory lag experienced when a utility places plant in service between general rate cases.

(1) Does Columbia agree with this view? Explain the response.

(2) If this view is correct, explain how this program results in improved growth in the number of customers.

35. Refer to the Direct Testimony of Kelly Humrichouse ("Humrichouse Testimony"), page 11.

a. Did the anticipated wage rate increase of 3.5 percent become effective on March 1, 2007? Explain the response.

b. Describe Columbia's incentive compensation program. Include copies of program descriptions provided to employees and a detailed description of the goals and performance criteria utilized.

36. Refer to the Humrichouse Testimony, page 13. Describe what is meant by references to the “IBM contract” and explain the impact this contract will have on the operations at Columbia.

37. Refer to the Direct Testimony of Paul R. Moul (“Moul Testimony”), page 13.

a. Provide copies of the pages from *The Value Line Investment Survey* from which the Gas Group was chosen.

b. For each of the gas companies followed by *Value Line*, list the reason for rejection for each of the gas companies not selected as part of the Gas Group.

38. Refer to the Moul Testimony, pages 18 through 22 and Attachment PRM-5.

a. Was Mr. Moul aware that when utilizing a historic test year, the Commission has normally used the test-year-end balances for the components of capitalization, including short-term debt? Explain the response.

b. Recalculate Attachment PRM-5 reflecting the test-year-end balance for Columbia’s short-term debt.

c. Mr. Moul has reflected a post-test-year adjustment to long-term debt to recognize a November 2006 debt issuance. Did Mr. Moul review previous Commission decisions to determine if his pro forma treatment was consistent with the approach normally followed by the Commission for such adjustments? Explain the response.

d. Was the capital structure proposed for Columbia in its last general rate case, Case No. 2002-00145,[2] based on the capital structure of Columbia Energy Group ("CEG")? Explain the response.

39. Refer to the Moul Testimony, page 22, and Attachment PRM-6.

a. Explain in detail why it was reasonable to price the hypothetical amount of debt at the rate paid for the November 2006 new debt issue.

b. Explain why this additional block of debt was not priced at the overall weighted average cost of all long-term debt.

c. Explain in detail why the pro forma weighted average cost of long-term debt could not have been applied to debt balance rather than including a hypothetical amount of long-term debt.

40. Refer to the Moul Testimony, page 33 and Attachment PRM-9. Provide the underlying data by company for each bar in the graph.

41. Refer to the Moul Testimony, pages 43-46. Provide an explanation of why a 20 basis point adjustment was made to the risk premium to account for differences between the Gas Group and Standard & Poor's Public Utilities (RP = 5.00%), but a similar adjustment is not warranted for the return (i = 6.25%).

42. Refer to the Moul Testimony, pages 48.

a. Provide copies of industry literature commonly available to investors, such as Ibbotsons, which prescribes how and why Betas need to be

[2] Case No. 2002-00145, Adjustment of Gas Rates of Columbia Gas of Kentucky, Inc.

unleveraged and then re-leveraged for use in the Capital Asset Pricing Model ("CAPM") analyses.

b. Provide the source data with references and calculations supporting a leveraged Beta equal to one.

43. Refer to the Moul Testimony, page 49. Should the reference to Attachment PRM-11 on line 11 read Attachment PRM-13?

44. Refer to the Moul Testimony, page 49 and Appendix I, page I-4. There appears to be a discrepancy between the correct number used for the risk free rate, i.e. 5.25 percent and 5.50 percent. Which is the correct risk free rate used in the CAPM calculations?

45. Refer to the Moul Testimony, page 50 and 51. Provide additional explanation and documentation which proscribes a size adjustment of 102 basis points for mid-cap companies.

46. Refer to the Moul Testimony, Appendix F, Flotation Costs.

a. Provide an explanation of how firms operating in non-regulated competitive markets treat and recover flotation costs when the firm raises additional capital through the equity markets.

b. Similarly, provide an explanation of whether this treatment is different when bonds, rather than equity, are issued.

c. Provide a step-by-step description of how Columbia acquires additional capital through its parent, beginning with how the parent acquires capital.

47. Refer to the Moul Testimony, Attachment PRM-12, page 2 of 2. Provide an explanation of why using either the various range median values or the average of

the geometric mean and median values to obtain a midpoint estimate provides a meaningful calculation of risk differentials.

48. Did Mr. Moul take into consideration Columbia's proposals to establish an AMRP mechanism and a PISCC program when developing his recommendations on the cost of equity? Explain the response, including a discussion on the importance either program would have on Columbia's level of risk.

49. Refer to the Direct Testimony of Mark P. Balmert ("Balmert Testimony"), page 10. For all schedules based on the 20-year normalized weather data provided by Mr. Gresham, provide revised versions which include sales volumes based on 25-year and 30-year normalized weather data.

50. Refer to the Direct Testimony of Ronald D. Gibbons ("Gibbons Testimony"), page 10. Columbia states that it applied the largest increase to the GSR/GRT class in order to help reduce the subsidy shown by the cost-of-service study. Columbia further explains that it did not apply the full increase indicated by the cost-of-service study in the interest of gradualism.

a. Explain how Columbia determined the amount of increase applied to the GSR/GRT class.

b. Explain why Columbia believes that the blocks and rates of the GSO/GTO class and the GSR/GRT class need to be aligned.

51. Refer to the Gibbons Testimony, Attachment RDG-2, page 2, the Factor No. 3-Allocation Development. In the calculation of the cost of the minimum system, should the cost be $67,164,738 rather than $105,816,077? Explain the response.

52. Refer to the Gibbons Testimony, Attachment RDG-2, the Customer/Demand Component Factor 3 chart.

a. In column D, should the column title be D=C x .6347?

b. In column G, should the column title be G=F x .3653?

53. Refer to the Direct Testimony of William Gresham ("Gresham Testimony"), page 5.

a. Explain why Columbia has changed its normal weather from a 30-year average to a 20-year average.

b. Since Columbia has a weather normalization mechanism in its tariff, explain how it is affected by using 20-year weather normals rather than 30-year normals.

54. Refer to the Gresham Testimony, pages 6 and 7.

a. In reviewing the 30-year weather data for the period 1976 through 2005, did Columbia identify any years in which the actual weather appeared to be "extreme"? Explain the response.

b. Mr. Gresham contends that the 20-year measure is a better predictor of normal weather and is a more dynamic measure. Are there any other factors or conditions that support the use of a 20-year average? Explain the response

55. Refer to the Gresham Testimony, page 8.

a. Were the 20-year and 30-year averages the only alternatives considered by Columbia and Mr. Gresham? Explain the response.

b. Did Columbia or Mr. Gresham give any consideration to using a 25-year average? Explain the response.

c. Revise Tables 1 and 2 on page 8 to include the same information for a 25-year average.

56. Refer to the Direct Testimony of Susanne M. Taylor, page 4.

a. Provide a copy of the referenced Service Agreement.

b. Provide a detailed description of all changes covered by the amendment to the Service Agreement that were filed and accepted by the Securities and Exchange Commission on October 6, 2005.

c. Was the Commission provided with an advance notice the Service Agreement was going to be amended in 2005, pursuant to the merger commitments in Case No. 2000-00129?[3] Explain the response.

57. Refer to the Direct Testimony of Panpilas W. Fischer, page 3.

a. In calculating the Kentucky income taxes shown in the Application, did Mr. Fischer utilize the 6 percent or the 7 percent tax rate? Explain the response.

b. If the 7 percent tax rate was used, submit a recalculation of all schedules and the determination of the revenue requirements using the 6 percent tax rate.

58. Refer to the Direct Testimony of June M. Konold ("Konold Testimony"), pages 3 and 4.

a. What situation or circumstance was Statement of Financial Accounting Standards No. 158 intended to address?

[3] Case No. 2000-00129, Joint Application of NiSource Inc., New NiSource Inc., Columbia Energy Group and Columbia Gas of Kentucky for Approval of Merger, final Order dated June 30, 2000.

b. Concerning Columbia's requested accounting treatment, has FERC previously authorized an accounting treatment similar to Columbia's request for pension and other post employment benefits? Explain the response.

59. Refer to the Konold Testimony, page 5, and Attachments JMK-1 and JMK-2. For purposes of this question, assume the following:

- Columbia's request for the PISCC is approved as proposed.
- The assumptions presented in Attachment JMK-1 are still in force.
- Columbia files a new general rate case, with a test year ending in December of the same year as the assumptions in Attachment JMK-1.
- The rates as proposed in the new general rate case become effective in June of the year following the period shown in Attachment JMK-1.

a. Extend the calculations shown in Attachment JMK-1 through to the appropriate date based on the assumptions and show the accounting entries reflecting the incorporation of the PISCC into base rates.

b. Provide the accounting entries to reverse the deferrals shown in Attachment JMK-2 and indicate when those reversing entries would be made to Columbia's books.

60. Refer to the Application, Schedule B-3.2.

a. The following accounts appear to be fully depreciated as of test-year end. Explain in detail why a depreciation expense has been calculated for the account.

(1) Account No. 375.20 – Structures & Improvements-City Gate M&R.

(2) Account No. 375.30 – Structures & Improvements-General M&R.

(3) Account No. 378.10 – M&R Station Equipment-General.

(4) Account No. 392.21 – Transportation Equipment-Trailers $1,000 or less.

(5) Account No. 394.20 – Tools, Shop & Garage Equipment-Shop Equipment.

b. Explain why the following accounts show a zero or negative balance for depreciation reserve and why there is a calculated depreciation expense for the account.

(1) Account No. 303.10 – Miscellaneous Intangible Plant-DIS Software.

(2) Account No. 391.11 – Office Furniture & Equipment-Data Handling.

(3) Account No. 394.10 – Tools, Shop & Garage Equipment-Garage & Service.

61. Refer to the Application, Schedule B-4. Are any of the construction work in progress ("CWIP") balances shown on this schedule subject to Allowance for Funds Used During Construction ("AFUDC") treatment? If yes, indicate the accounts and the balance subject to AFUDC.

62. Refer to the Application, Schedule B-5.2. Explain in detail why Columbia has included purchased gas expense and liquefied petroleum gas expense in its determination of cash working capital.

63. Refer to the Application, Schedule C-2.2. For each of the accounts listed below, explain the reason(s) for the change in the account balance between the prior year and the test year.

a. Account No. 421 – Miscellaneous Non-Operating Income – Gain on the Disposal of Property, sheet 2 of 11.

b. Account No. 430 – Interest Expense – Parent Company Debt, sheet 2 of 11.

c. Account No. 480 – Residential Revenue, sheet 2 of 11.

d. Account No. 481.1 – Commercial Revenue, sheet 2 of 11.

e. Account No. 481.2 – Industrial Revenue, sheet 3 of 11.

f. Account No. 489 – Transportation Revenue – Commercial, sheet 3 of 11.

g. Account No. 489 – Transportation Revenue – Residential, sheet 3 of 11.

h. Account No. 495 – Other Gas Revenue, sheet 4 of 11.

i. Account Nos. 801-803 – Natural Gas Field & Transmission Line Purchases, sheet 4 of 11.

j. Account No. 804 – Natural Gas City Gate Purchases, sheet 5 of 11.

k. Account No. 805 – Other Gas Purchases, sheet 5 of 11.

l. Account No. 806 – Exchange Gas, sheet 5 of 11.

m. Account No. 808 – Gas Withdrawn from Storage, sheet 5 of 11.

n. Account No. 903 – Customer Records & Collections – Utility Services, sheet 8 of 11.

o. Account No. 904 – Uncollectible Accounts, sheet 8 of 11.

p. Account No. 920 – Administrative and General Salaries, sheet 10 of 11.

q. Account No. 926 – Employee Pensions and Benefits, sheet 11 of 11.

64. Refer to the Application, Schedule D-2.1.

a. Refer to sheet 3 of 6. Define the term "non-traditional sales" as it is used for this proposed adjustment.

b. Refer to sheet 6 of 6. Would Columbia agree that the most current PSC Assessment rate should be utilized when the Commission makes its determination of the revenue requirement?

65. Refer to the Application, Schedule D-2.6.

a. Explain in detail why Columbia believes it should be permitted to recognize depreciation expense on CWIP balances.

b. Provide a calculation of the annualized depreciation expense using the test-year-end balances for plant in service and the current depreciation rates.

66. Refer to the Application, Schedule D-2.8.

a. Provide supporting documentation for the amounts shown on Schedule D-2.8, sheet 1 of 2, for lines 1, 5, and 6.

b. Explain why the $188,891 on line 9 of Schedule D-2.8, sheet 1 of 2, is treated as a positive amount while on WPD-2.8 the amount is negative.

c. Refer to Schedule D-2.8, sheet 2 of 2. Explain in detail why it is reasonable to amortize these one-time costs over a 3-year period. Include any analyses or studies performed by or for Columbia that support this recommendation.

d. For each line item of one-time costs shown on Schedule D-2.8, sheet 2 of 2, indicate how many years Columbia, NiSource, and NCSC should benefit from the cost changes.

67. Refer to the Application, Schedule D-2.9. Provide documentation supporting the annualized expense for property insurance, workers compensation, and miscellaneous other.

68. Refer to the Application, Schedule L, Sixty Ninth Revised Sheet No. 5, the red-line version. Footnote 1 of the tariff page states that "The Gas Cost Adjustment applicable to a customer who is receiving service under Rate Schedule GS or IUS and received service under Rate Schedule SVGTS shall be $10.4012 per Mcf only for those months of the prior twelve months during which they were served under Rate Schedule SVGTS." The GS and IUS rate sheets show a Gas Cost Adjustment ("GCA") of $8.4354 per Mcf. Explain why the GCA is different for these customers if they were served under Rate Schedule SVGTS in the prior twelve months.

69. Refer to the Application, Schedule L, Sixty Ninth Revised Sheet No. 91, the red-line version. Columbia currently has a proposed tariff pending with the Commission in Case No. 2005-00184[4] regarding interruptible rates and banking and balancing service.

[4] Case No. 2005-00184, Constellation New-Energy Gas Division, LLC, Complainant v. Columbia Gas of Kentucky, Inc., Defendant.

a. Has Columbia incorporated all of the proposed changes in Case No. 2005-00184 into this case's proposed tariffs?

b. If no, identify which tariff revisions from Case No. 2005-00184 are not incorporated.

c. If no, has Columbia discussed this with Constellation New-Energy Gas Division, LLC ("Constellation")?

d. If Columbia has discussed the revisions with Constellation, is Constellation in agreement with the applicable proposed tariffs in this case?

70. Refer to the Application, WPD-2.2, sheet 2 of 8.

a. Explain in detail why Columbia proposes to recognize a union pay increase that is not effective until December 1, 2007, which is 15 months after the end of the test year.

b. Define the term "Premium Pay" and explain what labor is covered by this category of expense.

c. Explain in detail the basis for the 3.5 percent increase in overtime and premium pay. Include in the response the date this increase is to become effective.

71. Refer to the Application, WPD-2.3. Explain the reason(s) for the reversal entries shown on this workpaper.

72. Refer to the Application, WPD-2.7. For the rate cases listed at lines 9 through 11, provide the total actual rate case expense incurred by Columbia.

73. Refer to the Application, WPD-2.8. Provide the cost information for the listed items as of September 30, 2006.

74. Refer to the response to the Staff's First Data Request dated January 25, 2007 ("Staff's First Request"), Item 16. Columbia was requested to provide comparative schedules showing by months for the test year and the year preceding the test year, the total company balance in each gas plant and reserve account or subaccount included in Columbia's chart of accounts. The response supplied the information for only Account Nos. 101, 105, 106, 107, 108, and 111. These accounts do not constitute each one of Columbia's gas plant and reserve account or subaccounts. Resubmit the response, using at a minimum the level of account detail shown in the Application, Schedule B-2.1.

75. Refer to the response to the Staff's First Request, Item 27.

a. In the response to Item 27(a), Columbia states that no advertising expenses were booked to Account Nos. 908, 912, or 913. Explain how Columbia records its advertising expense.

b. Refer to Attachment 27(b). Explain the entries referencing "Powerplant" transactions.

76. Refer to the response to the Staff's First Request, Item 28. For each of the vendors listed below, provide a description of the nature of the services or goods received.

a. Bermex, Inc.

b. C. J. Hughes Construction Co. Inc.

c. Citibank.

d. H & H X-Ray Services, Inc.

e. KU Solutions, Inc.

f. Reliant Services LLC.

g. Stanley Pipeline Inc.

h. Surveys & Analysis Inc.

i. The Fishel Co.

77. Refer to the response to the Staff's First Request, Item 30. Does Columbia agree that expenses associated with its lobbying activities should be excluded for rate-making purposes? Explain the response.

78. Refer to the response to the Staff's First Request, Item 31. Describe the activities of Central Kentucky Transmission Company.

79. Refer to the response to the Staff's First Request, Item 45. Describe the current status of the working arrangement between Columbia and the Paper, Allied-Industrial, Chemical, and Energy Workers International Union.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED April 10, 2007

cc: All Parties