COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S SECOND 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 2, 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 Volume 1 of Columbia's application at Tab 22. In Columbia's capital construction budget, the amounts budgeted for 2013 and 2014 are $24.6 and $27.1 million, respectively, while the amounts budgeted for 2015 and 2016 are approximately $19.8 million each year. Explain why the projects in the budget have been scheduled in such a way that the greater amounts are in the two years that will be reflected in the forecasted test period.

2. Refer to Volume 1 of Columbia's application at Tab 43. Explain why the forecasted industrial class transportation volumes in 2014 are more than 6 million cubic feet (roughly 4.0 percent) less than in each of the years 2013, 2015, and 2016.

3. Refer to Volume 7 of the application at Tab 58, pages 5-6. The charts on these pages show the amounts charged to Columbia by NiSource Corporate Services Company ("NiSource Services") for the calendar years 2009 through 2012 and the amounts included in the proposed base and forecasted periods.

a. The annual amount charged Columbia during the historical period went from $11,142,715 in 2009, to $13,449,161 in 2012, an increase of $2.3 million, nearly 20.7 percent, or 6.9 percent annually. Explain in detail why the annual amount charged Columbia by NiSource Services increased by this magnitude over this period.

b. The annual amount charged is projected to increase by $1,707,724 from $13,449,161 to $15,056,885 from calendar year 2012 to the forecasted test period ending December 31, 2014, or 6.35 percent annually. Explain in detail why an increase of this magnitude is projected.

4. Refer to Volume 7 of the application at Tab 59. Provide an electronic copy of all schedules under this tab with the formulas intact and unprotected and all rows and columns accessible.

5. Refer to Volume 7 of the application at Tab 59, Schedule 2.

a. Refer to pages 1-13 of 144. These pages show allocations to the following rate categories: GS-Res, GS-Other, IUS, DS-ML/SC, and DS/IS. Provide a listing of Columbia's individual rate classes that are included in each category.

b. Refer to pages 14-25 of 144. Explain whether Columbia engages in natural gas production. If the response is no, explain why there are line items allocated to the Production function.

c. Refer to page 20 of 144 and Schedule 4, page 5 of 16. Accounts 920-926 on page 20 of 144 are functionalized using the allocation factor LABOR. Schedule 4, page 5 of 16, provides the allocation percentage as 100 percent to Distribution. Explain in detail how this allocation factor was calculated, including the accounts or line items included in the calculation.

d. Refer to page 38 of 144. Provide the rationale for allocating Miscellaneous Intangible Plant, Account 303, on the basis of the CUST allocation factor.

e. Refer to pages 39 and 45 of 144. Explain why Structures and Improvements, Account 375, is allocated using the DISTPT allocation factor on page

39, but depreciation expense on Distribution Land Structures and Improvements is allocated using the DEMAND allocation factor on page 45.

f. Refer to page 43 of 144 and Schedule 4, page 6 of 16. Operation Supervision and Engineering is allocated using the DISTLABOR allocation factor on page 43 of 144. Schedule 4, page 6 of 16 provides the allocation percentages as 19.65 percent to Demand, .2 percent to Commodity and 80.15 percent to Customer. Explain in detail how the DISTLABOR allocation percentages were calculated, including the accounts or line items included in the calculation.

g. Refer to page 45 of 144 and Schedule 4, page 6 of 16. Several accounts on page 45 of 144 are allocated based on the DISTL/P allocation factor. Schedule 4, page 6 of 16 provides the allocation percentages as 20.01 percent to Demand, .18 percent to Commodity and 79.80 percent to Customer. Explain in detail how the DISTL/P allocation percentages were calculated, including the accounts or line items included in the calculation.

h. Refer to page 122 of 144. Provide the rationale for allocating Land-LNG Plant using the DesignDayxMDS allocation factor.

6. Refer to Volume 8 of the application, Tab C, Schedule C-2.1A, sheet 2 of 2, and Schedule C-2.1B, sheet 2 of 2.

a. The forecasted period expense for Account 904, Uncollectible Accounts, is $1,116,983, compared with the base period expense of $731,066. Explain why the amount is more than 50 percent greater in the forecasted period.

b. The forecasted period expense for Account 908, Customer Assistance Expenses, is $286,703, compared with the base period expense of $998,732. Explain why the expense amount is so much less in the forecasted period.

c. The forecasted period expense for Account 926, Employee Pensions and Benefits, is $2,188,889, compared with the base period expense of $3,197,725. Explain why the expense amount is so much less in the forecasted period.

7. Refer to Volume 8 of the application, Tab D, Schedule D-2.1, sheet 1 of 2. At the bottom of the page, the description of the ($10,379,987) adjustment to Other Gas Revenue indicates the adjustment is "to reflect the change in Other Gas Revenue and also to eliminate unbilled revenue recorded during the base period."

a. Explain the nature of the change to Other Gas Revenue and provide the amount of the adjustment specifically related to this change.

b. Provide the amount of the adjustment specifically related to the elimination of unbilled revenue recorded in the base period and explain what makes up the $368,597 amount included in the forecasted period.

8. Refer to Volume 8 of the application, Tab D, Schedule d-2.2, sheet 2 of 3. Adjustment 9 indicates that the NiSource Services management fee is expected to increase by $381,275 from the base period to the forecasted period, an increase of 3.1 percent ($12,352,361 to $12,733,636). Explain why the management fee is estimated by NiSource Services to increase by this amount.

9. Refer to Volume 8 of the application, Tab F.

a. See Schedule F-1, page 1. For the American Gas Association, the Kentucky Gas Association, and the Southern Gas Association, provide separately the percentage of each organization's activities that is related to lobbying activities.

b. See Schedule F-1, page 1. Provide the purpose of the $7,500 payment to the University of Missouri and describe the benefits ratepayers receive from this. Provide the amount of any payments to universities plus the costs of lobbying activities allocated to Columbia by NiSource, Inc. ("NiSource") or any NiSource affiliate or subsidiary that is included in the base period or forecasted period cost-of-service.

c. See Schedule F-4, page 1. Describe the benefits ratepayers receive from the amounts shown here for employee parties, outings, and gifts included in Columbia's cost-of-service. Provide the amount of any employee parties, outings and gifts allocated to Columbia by NiSource or any NiSource affiliate or subsidiary that are included in the base period or forecasted period cost-of-service.

d. See Schedule F-5, page 1, Account No. 908, Account 909, Account 910, Account 912, and Account 913. Provide separately for each account, examples of the type of expenditures recorded in the account and an explanation of their purpose.

e. Schedule F-6, page 1, Community Support and Other. Provide examples of the type of expenditures recorded in this account and an explanation of their purpose.

f. See Schedule F-7, page 1, Consulting Services. Provide a schedule showing the names and the associated amounts paid, along with an explanation of the purpose of the expenditures recorded in professional service expense.

g. See Schedule F-9, page 1, Political Activities. Provide the following information:

(1) The account(s) in which any costs associated with lobbying activities are recorded.

(2) An explanation of the purpose of expenditures recorded for political activities reflected on this schedule.

(3) An explanation for why the amount spent on political activities is projected to increase by 40 percent from the base period to the forecasted period.

10. Refer to Volume 8 of the application, Tab G, Schedule G-3.

a. Line 15 states, "This schedule reflects amounts allocated to Columbia for the following positions." Identify the entity allocating the amounts to Columbia and the methodology used in the allocation.

b. Provide a detailed explanation and support for the amounts in the "Other Allowances and Compensation" category on line 2, along with the allocation methodology used.

c. Provide a detailed explanation and support for the amounts in the "Other Benefits" category on line 7, along with the allocation methodology used.

11. Refer to Volume 8 of the application, Tab M. Provide an electronic copy of all schedules under this tab with the formulas intact and unprotected and all rows and columns accessible.

12. Refer to Volume 8 of the application, Tab N, Page 1. Provide the calculations of the current and proposed bills of the GSR, General Service Residential class.

13. Refer to Volume 9 of the application, the Direct Testimony of Herbert A. Miller, Jr. ("Miller Testimony"). On page 9, beginning at line 14, Mr. Miller refers to Columbia's participation in quarterly surveys of J.D. Power & Associates. In the sentence beginning on line 15, Mr. Miller states, "Although it is the smallest of the survey participants, Columbia continues to rank favorably among Kentucky gas distribution companies in the survey from an overall customer satisfaction perspective."

a. Identify the specific quarterly periods in the surveys to which Mr. Miller refers.

b. Identify how the size of the survey participants is measured.

c. Based on publicly available information on file at the Commission, both in annual revenues and customers, Columbia is third in size among jurisdictional Kentucky local gas distribution companies ("LDCs"). Identify the other Kentucky LDCs that participated in the J.D. Power & Associates surveys referenced by Mr. Miller.

d. Provide a summary of the survey results referenced by Mr. Miller.

14. Refer to page 10 of the Miller Testimony, beginning at line 10. For each of the statistics for which Mr. Miller provides comparisons between 2009 and 2012 results, provide the same statistics for the years 2008, 2010, and 2011.

15. Refer to page 10 of the Miller Testimony, starting at line 18 and continuing to page 11, line 6. Mr. Miller identifies three specific employee positions Columbia plans to add which are included "[i]n the forecasted revenue requirement. . . ."

According to Volume 8, Schedule G-2, of the application, the average number of employees in Columbia's forecasted test period, 129, represents an increase of 11 over the average number, 118, it had in both 2011 and 2012.

a. Provide the number of employees on Columbia's payroll at June 30, 2013.

b. Aside from the three specific positions referenced by Mr. Miller, explain why Columbia intends to add eight additional employees above the number with which it operated during the past two calendar years.

c. For the 11 employees that reflect an increase above the average number of employees in calendar year 2012, provide the amount of expense included in the forecasted test period for 1) salaries and wages and 2) employee benefits.

16. Refer to page 12 of the Miller Testimony, beginning at line 10, where he begins a discussion of Columbia's plans to install Automated Meter Reading ("AMR") devices. Starting on line 13, Mr. Miller states "However, once all the devices are installed by the end of 2014 . . . cost reductions will be realized for Columbia customers which savings have been included in Columbia's revenue requirement in this case."

a. Provide the amount of savings that has been included in Columbia's revenue requirement in its application and a detailed explanation of how the amount was determined, along with any supporting workpapers and calculations.

b. Given that the AMR devices are to be installed during calendar year 2014, Columbia's forecasted test period, explain whether the savings included in its revenue requirement reflect a full 12-month savings, post-installation, or the incremental savings projected during 2014, when the devices will not be installed for the entire year.

17. Refer to the Miller Testimony, page 13, lines 7-8. Mr. Miller states that under Columbia's Accelerated Main Replacement Program ("AMRP") 400,000 feet of pipe has been replaced since 2008.

a. Provide the specific date that Columbia began replacing pipe under the program and the date on which it reached 400,000 feet having been replaced.

b. Describe how replacing 400,000 feet of pipe by the date identified in response to part a. of this request compares to the amount of pipe Columbia had projected to have replaced by that date.

18. Refer to pages 15-16 of the Miller Testimony, specifically, the discussion of Columbia's request regarding a slippage factor in which he cites AMRP construction being a "materially large" component of Columbia's capital construction budget, and Attachment B to the response to Item 13 of Commission Staff's First Request for Information ("Staff's First Request").

a. For each year from 2008 through 2012, provide the amounts of Columbia's budgeted and actual capital construction expenditures, separated into AMRP construction and non-AMRP construction.

b. Provide the calculation of the five-year 8.2 percent positive slippage rate reference on page 15, lines 11-13 of the Miller Testimony.

c. Clarify whether the information contained in Attachment B to the data response includes all of Columbia's construction in recent years, both AMRP and non-AMRP.

d. If the response to part c. of this request is yes, provide the annual amounts of budgeted and actual non-AMRP construction and the related slippage calculations for the years 2003 through 2012.

19. Refer to Volume 9 of the application, the Direct Testimony of Judy M. Cooper ("Cooper Testimony").

a. Page 16, line 6, refers to "tools for evaluating participation" in terms of price and other comparisons that customers could be provided to customers in the Customer CHOICE ("CHOICE") program. State whether Columbia is willing to provide its customers, both those participating and eligible to participate in the CHOICE program, an annual statement showing their gas cost at Columbia's Gas Cost Adjustment rate and at average, or individual, gas marketer rates.

b. State what improvements could be made with regard to the Commission's oversight over marketer participation, as indicated in lines 8 and 9 of page 16.

c. Page 17 of the Cooper Testimony discusses the high customer-satisfaction level indicated by the 2012 CHOICE survey, which was filed into the record of Case No. 2012-00132.[1] State whether some customers indicating satisfaction with their participation in the CHOICE program were not, in fact, CHOICE customers.

d. The "Insights" section of the Final Report regarding the Choice survey concluded with the following paragraph on page 8 of the report:

> "While satisfaction with the Customer Choice program is high, this study revealed that customer perceptions of the Choice program are muddled by a number of factors. First,

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[1] Case No. 2012-00132, Columbia Gas of Kentucky, Inc. Filing of Customer Choice Survey Results, Final Report filed July 13, 2012.

> many people do not know what the program is, what the benefits of joining are, or how to join. Second, it seems that many customers are confusing the Customer Choice program with the Budget Payment Plan. Third, customers do not know how to track their savings or compare the costs of marketers in the program. For the Customer Choice program to be most transparent and effective, and for customer perceptions of the program to be uninfluenced by other factors like the Budget Payment Plan, consumers need to be better informed about the options available to them. Only then can the Choice program be truly evaluated on its own merits."

Explain how Columbia intends to address each factor identified above.

e. Refer to Attachment JMC-1 of the Cooper Testimony. Provide this same information, broken down by marketer, for the same time period.

20. Refer to Volume 9 of the application, the Direct Testimony of Eric T. Belle. Explain how many miles of priority pipe is represented by the $14.2 million anticipated to be spent in 2013 and the $12.2 million to be spent, by year, 2014 through 2016.

21. Refer to Volume 9 of the application, the Direct Testimony of William J. Gresham ("Gresham Testimony"), page 8.

a. Explain why 20 years was chosen as the length of time over which to estimate normal weather.

b. State the source of the climate data used for the weather normalization.

c. Either indicate the location in the record of the weather normalization performed to estimate normal sales volumes, or provide the weather normalization analysis. The response should include an explanation of the methodology, which customer classes' sales volume are weather-normalized, assumptions made and the basis for those assumptions, and an electronic version of the weather-normalization analysis with the formulas intact and unprotected and all rows and columns accessible.

22. Refer to page 11, line 5 of the Gresham Testimony. Clarify whether the reduction in residential customer usage was 1.2 percent annually 2007 through 2012, or 1.2 percent for the five-year period

23. Refer to the Gresham Testimony, pages 11-12, where Mr. Gresham discusses the factors that have caused the reduction in customer usage.

a. Mr. Gresham identifies the reduction in customer usage over the past 10 years as "structural conservation" that is "independent of trends in residential natural gas prices." Explain whether Mr. Gresham believes the larger decrease in usage during the first half of the past 10 years, a period he indicates was marked by rising prices, compared to the smaller decrease over the second half of the past 10 years, a period he indicates was marked by falling prices, was entirely independent of trends in natural gas prices.

b. Near the end of this section on page 12 of his testimony, Mr. Gresham discusses appliance choice (gas versus electric) and states that this will be particularly relevant in Kentucky, where electricity rates are low. Describe the extent to which Mr. Gresham's conclusions regarding natural gas usage reflect that, during the past five years, when residential gas prices were falling, residential electricity prices in Kentucky increased by an average of approximately 20 percent.

24. Refer to the Volume 9 of the application, Direct Testimony of Paul R. Moul ("Moul Testimony"). Provide the American Gas Foundation study referenced on page 8.

25. Provide the most current Returns on Equity ("ROE") awarded by their respective regulatory agencies and the dates of the awards for the proxy group of utilities ("Gas Group"), or for their gas utility subsidiaries if the proxy company is a holding company.

26. Provide the Value Line pages for the Gas Group used in the ROE analysis.

27. Identify which companies or subsidiary companies in the Gas Group are able to use a forecasted test year in base rate proceedings.

28. Provide the most current earned ROEs for the Gas Group or their subsidiaries.

29. Refer to page 9 of the Moul Testimony.

a. State when Columbia lost three customers due to bypass of its system.

b. Provide an explanation of the bypass threat represented by the eight customers mentioned on lines 19 and 20.

30. Refer to page 12 of the Moul Testimony.

a. Explain whether the Gas Group companies have mechanisms providing for the recovery of infrastructure investment, similar to Columbia's Accelerated Main Replacement Program mechanism.

b. For each company in the Gas Group, describe the revenue stabilizing regulatory mechanisms referenced on lines 6 through 9.

31. Refer to pages 26 and 27 of the Moul Testimony. Describe the three adjustments to the dividend yield as shown on Attachment PRM-7.

32. Provide the monthly data underlying the dividend yields for the Gas Group shown on PRM-7.

33. Refer to pages 42 and 43 of the Moul Testimony. If recent A-rated utility bond yields have ranged from 3.84 to 4.48 percent, explain why a forecasted 5 percent yield was used to calculate the risk premium.

34. Considering the yields to maturity for the first and second quarters of 2013 as shown on pages 1 and 2 of PRM-14, explain how it is reasonable to use 3.5 percent as the risk-free rate in the Risk Premium and Capital Asset Pricing Model analyses.

35. Explain why the 8.55 percent forecast market premium from PRM-14 was not used in the CAPM cost of equity calculation, consistent with the use of other forecasts employed in the ROE analyses.

36. Explain why the Comparable Earnings analysis as shown in PRM-15 is based on companies with Betas of .55 to .75, as opposed to companies having either (a) betas of .65 or (b) companies with betas in a range of .6 to .7. Show Comparable Earnings results under both these scenarios.

37. Provide an electronic copy of the excel spreadsheets supporting the Moul Testimony and the responses to the items in this request for information, where appropriate, with the underlying data and formulas intact

38. In Case No. 2009-00141,[2] Columbia filed two cost of service studies, a Demand-Commodity Study and a Customer-Demand Study. In the instant case, Columbia filed two cost of service studies, a Design Day Study and a Peak and Average

[2] Case No. 2009-00141, Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates (Ky. PSC Oct. 26, 2009).

Study. Explain the differences between the cost of service studies filed in Case No. 2009-00141 and the ones filed in this case and why the change was made in the type of cost of service studies filed.

39. Refer to Volume 9 of the application, the Direct Testimony of Russell A. Feingold ("Feingold Testimony"). On page 39, beginning at line 6, Mr. Feingold states that Columbia's rate classes "received increases in revenues generally in proportion to their cost-based revenue requirements at proposed revenue levels… adjusted for a maximum increase in non-gas base revenues to any one rate class of approximately 1.14 times the overall increase in Columbia's non-gas base revenues."

a. Provide the calculations described above for each rate class receiving a proposed increase.

b. Explain the basis for the 1.14 used in the maximum increase calculation.

40. Refer to page 42 of the Feingold Testimony.

a. This page provides a discussion of Columbia's current rate design working against the goal of ensuring that it is provided a reasonable opportunity to recover its cost, including return on investment. State whether Columbia's Gas Cost Adjustment Clause, Weather Normalization Adjustment, Energy Efficiency and Conservation Rider, and Accelerated Main Replacement Program Rider are considered to be part of Columbia's rate design.

b. Considering the revenue-stabilizing effects of the Commission-approved mechanisms above, state whether the addition of a Revenue Normalization

Adjustment ("RNA") Rider as proposed by Columbia moves beyond providing a reasonable opportunity and toward a guarantee of return on investment.

c. Provide the annual impact on Columbia's cost and revenue since 2009 of adding new customers as discussed at the bottom of page 42 of the Feingold Testimony.

d. Provide Columbia's net customer additions since 2009 for each rate class.

41. Refer to page 45 of the Feingold Testimony. Provide any documentation available supporting the statement based on general industry experience that 55 to 60 percent of non-gas base revenue recovery through volumetric charges is above average for gas distribution utilities.

42. Refer to the Feingold Testimony, footnote 3 on page 51 and footnote 5 on page 74. State whether Columbia has considered proposing a modification to its WNA clause to address weather variability occurring during months with Heating Degree Days that are excluded by its WNA mechanism.

43. State whether it is reasonable to expect average residential usage to continue to decline at the rate experienced by Columbia over the last five to 10 years as discussed on page 51 of the Feingold Testimony.

44. State whether the average annual use per customer referenced on page 51 of the Feingold Testimony and as shown on Attachment RAF-4 is weather-adjusted use per customer.

45. Refer to page 54 of the Feingold Testimony, which discusses the reliance on the ratemaking principle of gradualism by the Commission as well as other

stakeholders. State when the Commission last took any action with regard to increases in Columbia's monthly customer charges other than to approve settlements to which Columbia was a signatory.

46. Refer to page 57 and page 75, lines 7 through 13 of the Feingold Testimony. State whether residential customers are the only customers served by Columbia that undertake energy-conservation and efficiency measures.

47. Refer to page 58, lines 1 and 2 of the Feingold Testimony. Provide details of other RNA mechanisms similar to that proposed by Columbia. The information provided should include at a minimum the jurisdictions and proceedings in which they were approved, the customer classes subject to the mechanism, and the details of the tariffs setting out the mechanisms' parameters.

48. Refer to page 62 of the Feingold Testimony. State whether the 21 states with revenue decoupling include only residential customers in their revenue decoupling mechanisms.

49. Explain why Columbia is not proposing to include variations in weather in its RNA as a substitute for the WNA mechanism.

50. Refer to the explanation of the application of Columbia's proposed RNA to only residential customers on page 75, lines 7 through 13, of the Feingold Testimony.

a. Explain whether Columbia has experienced a decline in average usage per customer in any other rate class.

b. State what percent of Columbia's non-gas base revenues is represented by residential volumetric delivery charge revenue at both current and proposed rates and rate design.

51. Refer to page 77, lines 12 through 14, of the Feingold Testimony. Explain how normalized gas volumes would be estimated under Columbia's proposed methodology.

52. Refer to page 87 of the Feingold Testimony, lines 6 through 15. Considering the earlier discussion of the importance of recovering fixed costs through the fixed monthly customer charge, explain why Columbia is not proposing to increase the customer charge of the IS and DS/IS rate schedules by the small amount necessary to reach the level indicated by the cost of service studies

53. Attachments RAF-4 and RAF-5 show Average Annual Use per Customer for the period 2003 through 2012 and Non-Gas Base Revenue Impact from Current Volumetric Delivery Charges for the same period for rate schedules GSR and SVGTS. Provide the same information in identical format for all other rate classes.

54. Provide the non-temperature sensitive usage per customer and the average annual number of customers for the period 2003 through 2012 for the GSR and SVGTS classes.

55. Provide the actual average annual use per customer for the GSR and SVGTS classes for the 12 months ended April 30, 2013.

56. Refer to Attachment RAF-7. Provide the calculation of the amounts shown in Line Nos. 1, 8, and 9 columns 2 through 5, the Authorized Quarterly Non-Gas Revenue ("AQNR"), and the Estimated Normalized Gas Volumes for the GSR and SVGTS GSR rate schedules.

57. Provide the calculation shown in Attachment RAF-7 for the first quarter of 2013.

58. Refer to Attachment RAF-8. Confirm that the simulation of the operation of the RNA mechanism contained in this attachment shows that, for the three years ending December 31, 2012, the net under collection of AQNR to be recovered through the RNA is .25 percent as shown by the calculation below:

Time Period	AQNR	RNA	Percent
TME December 2012	$33,524,817	$555,816	
TME December 2011	$33,707,401	($344,758)	
TME December 2010	$33,886,227	$43,639	
Total 36 months ended December 2012	$101,118,445	$254,697	.2519%

59. Refer to Tab 59. Provide an electronic copy of all schedules under this tab with the formulas intact and unprotected and all rows and columns accessible.

60. Refer to Tab 59, Schedule 2.

a. Refer to pages 1-13 of 144. These pages show allocations to the following rate categories: GS-Res, GS-Other, IUS, DS-ML/SC, and DS/IS. Provide a listing of Columbia's individual rate classes that are included in each category.

b. Refer to pages 14-25 of 144. State whether Columbia engages in natural gas production. If the response is no, explain why there are line items allocated to the Production function.

c. Refer to page 20 of 144 and Schedule 4, page 5 of 16. Accounts 920-926 on page 20 of 144 are functionalized using the allocation factor LABOR. Schedule 4, page 5 of 16 provides the allocation percentage as 100 percent to Distribution. Explain in detail how this allocation factor was calculated including the accounts or line items included in the calculation.

d. Refer to page 38 of 144. Provide the rationale for allocating Miscellaneous Intangible Plant, Account 303, on the basis of the CUST allocation factor.

e. Refer to pages 39 and 45 of 144. Explain why Structures and Improvements, Account 375, is allocated using the DISTPT allocation factor on page 39, but depreciation expense on Distribution Land Structures and Improvements is allocated using the DEMAND allocation factor on page 45.

f. Refer to page 43 of 144 and Schedule 4, page 6 of 16. Operation Supervision and Engineering is allocated using the DISTLABOR allocation factor on page 43 of 144. Schedule 4, page 6 of 16 provides the allocation percentages as 19.65 percent to Demand, .2 percent to Commodity and 80.15 percent to Customer. Explain in detail how the DISTLABOR allocation percentages were calculated, including the accounts or line items included in the calculation.

g. Refer to page 45 of 144 and Schedule 4, page 6 of 16. Several accounts on page 45 of 144 are allocated based on the DISTL/P allocation factor. Schedule 4, page 6 of 16 provides the allocation percentages as 20.01 percent to Demand, .18 percent to Commodity and 79.80 percent to Customer. Explain in detail how the DISTL/P allocation percentages were calculated including the accounts or line items included in the calculation.

h. Refer to page 122 of 144. Explain the rationale for allocating Land-LNG Plant using the DesignDayxMDS allocation factor.

61. Refer to Volume 9 of the application, the Direct Testimony of S. Mark Katko ("Katko Testimony"), page 9, lines 11-13, and the response to Item 35 of Staff's First Request.

a. Clarify whether the "[o]verall wage increase guideline of 3% for 2013 and 2014" is intended to mean 3 percent for the two years cumulatively or for each of the two years individually.

b. The data response shows increases of less than 3 percent in the base and forecast periods for union employees and in the base period for non-exempt non-union employees. Reconcile this with the 3 percent in the testimony.

62. Refer to Volume 9 of the application, the Direct Testimony of John J. Spanos ("Spanos Testimony"), and Tab 56, which is the depreciation study prepared for Columbia that is being sponsored by Mr. Spanos.

a. Page 6, line 15 of the Spanos Testimony indicates that Mr. Spanos has previously performed depreciation studies for Columbia. Provide the case numbers of all cases in which Mr. Spanos sponsored a depreciation study on behalf of Columbia.

b. The stipulation approved by the Commission in Case No. 2009-00141[3] stated that "Columbia's current depreciation rates will continue to be used. . . ." For how long have Columbia's current depreciation rates been in effect?

c. The table on pages III-4 and III-5 of the depreciation study shows, among other things, the depreciation rates developed within the study, resulting annual depreciation accruals, and the original cost of Columbia's utility plant, all on an account-specific basis, based on plant balances as of December 31, 2012. Provide, in a similar format, a table using average plant balances in the forecasted test year which contains a side-by-side comparison of Columbia's current and proposed depreciation rates and the annual depreciation expense derived from each set of rates, by account and in total.

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[3] Case No. 2009-00141, Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates (Ky. PSC Oct. 26, 2009).

63. Refer to Volume 9 of the application, the Direct Testimony of Susanne M. Taylor ("Taylor Testimony"), page 6, lines 1 through 6, where it states, "[c]ontract billed charges may be direct (billed directly to a single affiliate or affiliates) or allocated (split between or among several affiliates), depending on the nature of the expense." For the forecasted period, provide the amount of contract billed charges broken down by direct charges and allocated charges.

64. Refer to page 10 of the Taylor Testimony where Ms. Taylor discusses the Federal Energy Regulatory Commission ("FERC") audit of NiSource Services for which a final report was issued October 24, 2012.

a. Provide the October 24, 2012 FERC audit report.

b. Explain whether this was the first FERC audit of NiSource Services since the NiSource/Columbia merger.

c. If there have been other FERC audits of NiSource Services since the NiSource/Columbia merger, provide the reports of those audits.

d. Explain whether there is a specific timetable or frequency for future FERC audits of NiSource Services.

65. Refer to Columbia's response to Commission Staff's First Request for Information ("Staff's First Request"), Item 26. Provide the following:

a. The reasons for the increase in the cash account balance between November 2012 and December 2012 of $1,143,456 ($1,509,717 - $366,261).

b. The reasons for the decrease in the cash account balance between December 2012 and January 2013 of $1,205,729 ($1,509,717 - $303,988).

66. Refer to the response to Staff's First Request, Item 30. Provide the reasons for the increase in Administrative & General Expenses in the amount of $1,222,779 ($15,901,387 - $14,678,608) or approximately 8.3 percent, from calendar year 2012 to the base period ended August 31, 2013.

67. Refer to the response to Staff's First Request, Item 33. Confirm that for calendar years 2008 through 2012 Columbia's actual payroll was, on average, roughly 3.6 percent below its budgeted level

68. Refer to the response to Staff's First Request, Item 35. Provide the following:

a. The same information for calendar years 2009 and 2010.

b. An explanation of how the "Annualized Amount" for the Exempt, Nonexempt (nonunion) and Union categories are calculated along with any related spreadsheets, workpapers, and supporting calculations.

69. Refer to the response to Staff's First Request, Item 36. Provide the allocation methodology used to allocate costs associated with employees of NiSource Services to Columbia.

70. Refer to the response to Staff's First Request, Item 41. Provide a description of the Profit Sharing fringe benefit, the classes of employees who participate in the Profit Sharing program and how the amount to be distributed is calculated.

71. Refer to the response to Staff's First Request, Item 48, Attachment A. Provide the following:

a. A general explanation of why the current year provision varied so widely over the years 2010-2012.

b. A breakdown of the annual Charges to Reserve Accounts (accounts charged off) by customer class.

c. An explanation of how the annual amounts are determined for Credits to Reserve Accounts.

d. An explanation of how the annual amounts are determined for the current year provision.

e. The amount of uncollectible accounts that were expensed in each of the three years.

72. Refer to the response to Staff's First Request, Item 49. Explain whether any of the advertising services provided by Sheehy & Associates in calendar year 2012 were associated with political, promotional, and institutional advertising as defined by 807 KAR 5:016, Section 4.

73. Refer to the response to Staff's First Request, Item 54, Attachment C. Included in the projected rate case expenses is $300,000 for "Legal Fees." Explain the derivation of this amount given that different filings in this proceeding have identified Mr. Seiple and Ms. Leslie, respectively, as Assistant General Counsel and Senior Counsel of "Columbia Gas of Kentucky."

74. Refer to the response to Staff's First Request, Item 55.b, which shows that, of the total of $13,449,161 billed Columbia by NiSource Services in calendar year 2012, $8,562,526 was recorded in Account 923, Outside Services. Explain in detail why nearly two-thirds of what NiSource Services billed Columbia could not, apparently, be recorded in a more function-specific or service-specific account.

Aaron D. Greenwell for

Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

Dated JUL 19 2013

cc: Parties of Record

Honorable David J. Barberie
Managing Attorney
Lexington-Fayette Urban County Government
Department Of Law
200 East Main Street
Lexington, KENTUCKY 40507

Honorable David F Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Honorable Dennis G Howard II
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Brooke E Leslie
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, OHIO 43216-0117

Honorable Stephen B Seiple
Attorney at Law
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, OHIO 43216-0117

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

Richard S Taylor
225 Capital Avenue
Frankfort, KENTUCKY 40601