

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA)	
GAS OF KENTUCKY, INC. TO CONTINUE ITS)	CASE NO.
GAS COST INCENTIVE ADJUSTMENT)	2024-00012
PERFORMANCE BASED RATE MAKING)	
MECHANISM)	

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

Columbia Gas of Kentucky, Inc. (Columbia Kentucky), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on May 8, 2024. The Commission directs Columbia Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and 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 the person supervising the preparation of the response on behalf of the entity that the

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia Kentucky shall make timely amendment to any prior response if Columbia Kentucky obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Columbia Kentucky fails or refuses to furnish all or part of the requested information, Columbia Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Columbia Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Explain if there are any internal organizations or local utilities within NiSource Inc. (NiSource), with the exception of Columbia Kentucky, which have a Performance Based Ratemaking (PBR) Mechanism.

- a. If so, identify the entity and describe in detail the PBR mechanism used by that affiliate.

b. If Columbia Kentucky is the only organization or local utility within NiSource that has a PBR mechanism, then explain if any organization or local utility within NiSource has proposed a similar mechanism to its regulatory agency, and if so, then explain in detail why those proposals were denied.

2. Provide a side-by-side comparison on a month-by-month basis beginning on and after January 2020, which shows the amount in gas costs saved by Columbia Kentucky's customers under the PBR mechanism compared to the amount of gas cost collected through Columbia Kentucky's Gas Cost Adjustment (GCA) Clause for the company's share of the PBR savings.

3. Provide the annual reports for the PBR mechanism filed by Columbia Kentucky since the June 6, 2022 final Order in Case No. 2020-00378² was issued.

4. Explain whether Columbia Kentucky has any incentive to optimize its gas supply portfolio absent a PBR mechanism. If so, describe the incentives. If not, explain why not.

5. Explain whether a least cost acquisition standard in purchasing natural gas supplies and pipeline transportation services exists absent Columbia Kentucky's PBR mechanism.

6. State whether Columbia Kentucky would decrease its efforts to maintain service reliability for the benefit of its customers if Columbia Kentucky's PBR mechanism was discontinued.

² Case No. 2020-00378, *Electronic Application Of Columbia Gas of Kentucky, Inc. to Extend Its Gas Cost Incentive Adjustment Performance Based Rate Making Mechanism* (Ky. PSC June 6, 2022).

7. Identify any economic or scientific studies of which Columbia Kentucky is aware that support the contention that adopting a PBR mechanism reduces gas costs for customers of local gas distribution companies, and provide copies of any such studies.

8. Explain whether Columbia Kentucky seeks to purchase the lowest cost natural gas to provide to its customers regardless of whether it has a PBR mechanism.

9. Explain in detail every basis for Columbia Kentucky's claim that the PBR mechanism resulted in benefits for Columbia Kentucky's customers.

10. Explain what Columbia Kentucky does with its portion of the gas costs savings it collects from customers through the GCA.

11. Explain whether Columbia Kentucky competitively bids its supply contracts. If so, explain Columbia Kentucky's process to competitively bid the contracts for the PBR mechanism.

12. Refer to the Motion for Leave to Amend Application (Motion to Amend), page 2, paragraph 3. Provide a list of any Columbia Kentucky discounted contracts that are currently in effect, provide a copy of each contract, and provide the expiration date of each contract.

13. Refer to the Motion to Amend, page 2, paragraph 8. Explain why Columbia Kentucky decided to change the request for an extension to the PBR mechanism to three years from five years as originally requested. Explain if the expiration of any discount contracts was a factor in the decision.

14. Refer to the Amended Application, page 5, paragraph 7. Explain in detail the "extra effort in performance" undertaken by Columbia Kentucky as part of the

incentive that is encouraged by the PBR mechanism that may have not been otherwise undertaken without the existence of the PBR mechanism.

15. Refer to the Amended Direct Testimony of Judy M. Cooper (Cooper Testimony), page 7, lines 12–15.

a. Explain in detail how it is possible for Columbia Kentucky to deviate from the rates found to be fair, just and reasonable by the Federal Energy Regulatory Commission (FERC). Provide necessary examples if applicable.

b. Explain if FERC reviews and approves any discount contracts that deviate from the rates found to be fair, just and reasonable by the FERC. If so, explain if FERC approved any such deviations for Columbia Kentucky. Provide necessary examples if applicable.

16. Refer to the Amended Direct Testimony of Patrick Pluard (Pluard Testimony), page 5, lines 16–18. Provide detailed examples in which Columbia Kentucky aggressively sought and achieved incremental benefits that produce gas cost savings for customers while maintaining reliability of supply that may have not been otherwise undertaken without the existence of the PBR mechanism. Provide as many examples in detail as necessary to fully justify the response.

17. Refer to the Pluard Testimony, page 5, lines 19–20. Provide additional clarification and justification with detailed examples for the statement, “These incremental benefits could be missed without the PBR as several products in the PBR are available to other affiliates.”

18. Refer to the Pluard Testimony, page 6, lines 15–17, regarding the statement, “The program also provides a means to compare regulatory activity to

competitive market activity as it contains rules and benchmarks that provide inherent and efficient ongoing oversight.” Provide such a comparison with quantifiable data that would compare the regulatory activity to competitive market activity using Columbia Kentucky

19. Refer to the Pluard Testimony, page 7, lines 4–8. Provide the “prudent documented results” along with detailed response explaining why these such results justify the extension of the PBR mechanism.

20. Refer to the Pluard Testimony, page 7, lines 4–8.

a. Explain in detail what Columbia Kentucky means by “incorrect market decisions”, provide examples of what Columbia Kentucky considers to be “incorrect market decisions”, and explain why Columbia Kentucky’s customers should be forced to cover the costs of such “incorrect market decisions”.

b. Also, refer to the Pluard Testimony, page 6, lines 8–10. Explain under what circumstances the Commission would find an “incorrect market decision” made by Columbia Kentucky to not be an imprudent purchasing practice pursuant to KRS 278.274(1).

21. Refer to the Pluard Testimony, page 7, lines 8–9. Explain in detail, and provide examples, how Columbia Kentucky is “forced” to compete for lower gas costs.

22. Refer to the Pluard Testimony, page 8, lines 1–2. Describe in detail the storage used by Columbia Kentucky and how the storage is used in Columbia Kentucky’s PBR mechanism.

23. Refer to the Pluard Testimony, page 8, lines 3–4. Describe in detail the negative performance that occurred impacting customers and Columbia Kentucky. The response should include at the very least: when the events occurred; the causes of the

negative performance; Columbia Kentucky's actions as a result of the negative performance; the costs or expenses incurred by Columbia Kentucky due to the negative performance; the cost or expenses incurred by Columbia Kentucky's customers due to the negative performance; and any such responsive internal policy changes undertaken by Columbia Kentucky to help mitigate or avoid any future negative performances.

24. Refer to the Pluard Testimony, page 8, lines 4–7. Provide justification to support the claim that the monthly Gas Cost Incentive (GCI) mechanism has been able to provide gas cost savings to the customers and Columbia Kentucky, also explain in detail how Columbia Kentucky determined that the GCI component of the PBR mechanism provided gas cost savings for its customers.

25. Refer to the Pluard Testimony, page 8, lines 10–13. Provide justification to support the claim that the monthly Off-System Sales Incentive mechanism has been able to create value for customers and Columbia Kentucky.

26. Refer to the Pluard Testimony, page 8, line 16. Provide justification that shows why Columbia Kentucky believes that Transportation Cost Incentive benchmark calculation is beneficial and should remain unchanged.

27. Refer to the Pluard Testimony, pages 8 through 10, in regards to the changes in demand for natural gas. Explain what measures Columbia Kentucky is planning to undertake to continue to aggressively seek and achieved incremental benefits that produce gas cost savings for customers while maintaining reliability of supply despite these natural gas market changes.



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cc: Parties of Record

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