

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

THIRD 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 May 22, 2007. Each copy of the data requested should be placed in a bound volume with each item tabbed. Responses to requests for information shall be appropriately indexed, for example, Item 1(a), Sheet 2 of 6, and shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be under oath or, for representatives of a public or private corporation, a partnership, an 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 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 upon the basis of which it knows 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 to furnish all or part of the requested information, Columbia shall provide a written explanation of the specific grounds for its failure to furnish.

Careful attention shall be given to copied material to ensure its legibility. 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 provided for total company operations and jurisdictional operations, separately.

1. Refer to the response to the Commission Staff's Second Data Request dated April 10, 2007 ("Staff's Second Request"), Item 1.

a. In Item 1(a) Columbia was requested to explain in detail why the rate base and capital presented in the Application, Tab 27, did not agree with Schedules B-1 and J-1. While Columbia submitted a corrected schedule for Tab 27 that agrees with the referenced schedules, it did not provide the requested explanation of why the schedules did not agree. Provide the originally requested explanation.

b. In Item 1(b) Columbia was requested to provide the originally requested reconciliation of rate base and capital, starting with the proposed rate base, then listing and identifying all reconciling items, and concluding with the proposed capital. The response indicates that the corrected schedule for Tab 27 is the reconciliation. Neither the original version of the schedule provided with Tab 27 nor the corrected version of that schedule provides the requested reconciliation of rate base and capital. Provide the reconciliation as requested in Item 1(b).

2. Refer to the response to the Staff's Second Request, Item 2(b). The request identified specific account numbers and sought information about the accounts. As part of the request, Columbia was to describe the account and the activity recorded in each account. This information was omitted from the response. Provide the originally requested information.

3. Refer to the response to the Staff's Second Request, Item 5(b). Several of the responses to Item 5(b) refer to "estimates of other gas utilities" and "expectations within the gas industry."

a. Provide copies of the estimates of other gas utilities that were utilized by Mr. Spanos to develop his depreciation rate recommendations. Indicate the sources of these estimates.

b. Provide the source(s) for the "expectations within the gas industry" relied upon to develop the proposed depreciation rates and include copies of any documentation of these expectations.

4. Refer to the response to the Staff's Second Request, Item 10. The response indicates that all the past replacement of bare steel ("BS") pipes was based on historical leakage. Will the proposed Accelerated Main Replacement Program ("AMRP") follow the same pattern in replacing the BS pipes or will selected areas be chosen for each contract? If selected areas would be chosen, when will Columbia be able to provide the information to the Commission with adequate maps and construction data?

5. Refer to the response to the Staff's Second Request, Item 11. Since Columbia has been assuming ownership after replacing the customer's service line

since November 10, 1988, what makes the replacement of customer's BS service lines appropriate to include in the AMRP program? Is Columbia requesting to revoke its request of ownership of service lines after replacing them?

6. Refer to the response to the Staff's Second Request, Item 14.

a. Resubmit Attachment 1 without the shading of information.

b. Columbia was requested to provide the workpapers, calculations, and assumptions used to determine the \$9.9 million annual investment in the AMRP. Attachment 1 is a one-page sheet summarizing cost and data on various mains and services. It does not readily present how the \$9.9 million annual investment was determined. Provide the originally requested information. In addition, clearly show how the \$9.9 million annual investment was determined.

7. Refer to the response to the Staff's Second Request, Item 15. Identify the sources of the data used to develop the information presented in the response to Item 14, Attachment 1. For all sources that were outside of Columbia, state whether the information was prepared specifically for Columbia's situation or if the information reflected the experience of other gas utilities.

8. Refer to the response to the Staff's Second Request, Item 20(a). In this response is the statement "It was thought that the NiSource affiliates would have a similar approach to their bare steel and cast iron replacement program and we wanted to compare Columbia to its peers within its industry." Was this assumption verified? Explain the response.

9. Refer to the response to the Staff's Second Request, Item 21. What does Mr. Humphries mean by "Review of the example companies indicate that 20 years is

regarded as an appropriate schedule.” Explain the basis of your study for the 20-year replacement and which portion of the work will have the priority of the 5 percent of the total replacement every year for 20 years. Example: Is it the function of the line, size, pressure, number of leaks per year, zoning, age, service territory, costs, etc?

10. Refer to the response to the Staff’s Second Request, Item 23. Does Stone and Webster intend to provide regression analysis? If yes, when?

11. Refer to the response to the Staff’s Second Request, Item 24. Does Columbia presently have a program of larger main replacement work? If yes, provide briefly the process of the work.

12. Refer to the response to the Staff’s Second Request, Item 27. Figure 2 shows total leaks due to corrosion from 1990 to 2006 were 6,532 with 5,982 leaks from BS pipes. Figure 5 shows that BS-miles in 1998 were 578 miles and in 2006 were 509 miles. Has Columbia replaced 69 miles of BS pipes during 1998-2006? Explain.

13. Refer to the response to the Staff’s Second Request, Item 28. Since Columbia maintains maps according to the type of pipes, provide a file on CD-ROM of the maps of all the BS and cast iron mains in Columbia’s system.

14. Refer to the response to the Staff’s Second Request, Item 29(f). Provide the returned check charge that Columbia’s bank assesses.

15. Refer to the response to the Staff’s Second Request, Item 34.

a. Was the proposed Post In-Service Carrying Charges (“PISCC”) the only alternative considered to address the “negative impact major construction projects have on net income in between rate cases”? Explain the response. If additional alternatives were considered, include a description and discussion of each alternative.

b. Compare and contrast the regulatory climate for local distribution natural gas companies in Kentucky and Ohio. Include a discussion of the role of PISCC in both states.

16. Refer to the response to the Staff's Second Request, Item 35.

a. Provide the actual wage rate increase percentages effective on March 2007.

b. Provide a revised Schedule D-2.2 that reflects the actual wage increase percentages granted in March 2007. Include all workpapers, calculations, and assumptions utilized to determine the adjustment.

c. Provide the job scope levels, corporate goals, business goals, and a sample of individual goals in effect for Columbia's Corporate Incentive Plan for calendar years 2005, 2006 and 2007.

17. Refer to the response to the Staff's Second Request, Item 36.

a. Has the closing of Columbia's Lexington customer contact center been recognized as an adjustment in the test year?

(1) If yes, indicate where in the proposed adjustments this closing has been reflected.

(2) If no, provide an itemized list of all the test-year costs associated with the Lexington customer contact center. Explain in detail why an adjustment to reflect this cost reduction was not proposed.

b. On Schedule D-2.8 Columbia has proposed to amortize the IBM-related one-time restructured contract costs over a period of 3 years. The response to Item 36 indicates that the initial term of the IBM contract is 10 years. Explain in detail

why a 3-year amortization is more appropriate than a 10-year amortization of the IBM-related one-time costs.

18. Refer to the response to the Staff's Second Request, Item 53(b).

a. Did Columbia propose any revisions to its existing Weather Normalization Adjustment ("WNA") tariff to reflect the calculations discussed in the response to Item 53(b)? Explain the response.

b. Provide a revised WNA tariff that reflects the utilization of 20-year weather normals rather than 30-year normals.

19. Refer to the response to the Staff's Second Request, Item 54(a). The response notes that the Heating Degree Days ("HDD") data for the Lexington weather station were examined. Is the recommendation to use a 20-year average of HDD data based on weather observations from Lexington only?

a. If yes, explain in detail why only HDD data from Lexington was utilized.

b. If no, identify the other weather stations included in the HDD data collection.

20. Refer to the Direct Testimony of William M. Gresham, page 8, and the response to the Staff's Second Request, Item 55. Indicate whether Columbia agrees with the following statements related to Tables 1 and 2 reflecting the 15-year, 20-year, and 25-year averages. If Columbia disagrees, explain why it disagrees.

a. Refer to Table 1. For both the 1980-2005 and 1990-2005 periods, the "Better 1-year Predictor" in terms of the highest frequency of "Lowest Absolute Error" comes from the 20-year averages.

b. For the 1980-2005 period, the “Better 5-year Predictor” in terms of the highest frequency of “Lowest Absolute Error” comes from the 15-year and 20-year averages.

c. For the 1990-2005 period, the “Better 5-year Predictor” in terms of the highest frequency of “Lowest Absolute Error” comes from the 15-year and 25-year averages.

d. Refer to Table 2. For annual changes in averages for the period 1980-2005, the lowest percentage comes from the 20-year and 25-year averages.

e. For annual changes in average for the period 1980-2005, the lowest percentage maximum change comes from the 25-year averages.

f. If stability is a criterion in determining the appropriate period of HDD data to utilize, would Columbia agree that the 25-year average is as good as the 20-year average proposed by Columbia? Explain the response.

21. Refer to the response to the Staff’s Second Request, Item 58.

a. What is the funding status of Columbia’s defined benefit post-retirement plan as of test-year end?

b. Provide copies of the referenced guidance issued by the Federal Energy Regulatory Commission.

22. Refer to the response to the Staff’s Second Request, Item 64(b). Based upon the procedural schedule for this case, would Columbia agree that the final decision would probably be entered by the Commission after June 30, 2007? If Columbia agrees, provide the originally requested information for Item 64(b).

23. Refer to the response to the Staff’s Second Request, Item 65(a).

a. Provide a schedule listing the types of utility plant in service that comprise the \$416,315 balance.

b. Explain why utility plant that was in service as of test-year end was still carried on the books of Columbia as construction work in progress.

24. Refer to the response to the Staff's Second Request, Item 70.

a. Is the number of union employees and the number of hours worked by those employees of Columbia as of December 1, 2007 known at this time? Explain the response.

b. Does Mr. Humrichouse agree that Columbia submitted this rate application utilizing a historic test year?

c. Explain how Columbia's proposal to recognize a wage rate increase that is scheduled to occur 15 months past the test-year end is consistent with the rate-making concept known as the matching principle.

25. Refer to the response to the Staff's Second Request, Item 74. Columbia was requested, for the second time, 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. Columbia submitted plant account and subaccount information in four attachments to the response in Item 74. However, the requested comparison of account balances was not provided, as was requested originally in the Commission Staff's First Data Request dated January 25, 2007, Item 16, and in Item 74.

a. Using the monthly ending balance data contained in the response to Item 74, prepare the comparison of gas plant and reserve accounts previously requested. Organize the data using the format attached to this data request.

b. Refer to the response to part (a) above. Using the "12th Month" balances for the test year and the previous 12-month period, for each account where the change in the 12th Month balance is at least 10 percent and \$500,000 or more, explain the reason(s) for the change in the account balance. The change in the balance can be either positive or negative.

26. Refer to the response to the Staff's Second Request, Item 77. Provide a schedule listing all lobbying expenses incurred during the test year that related to issues of workplace safety, customer rates, pipeline location requirements, and reducing customer risks.

27. Refer to the response to the Attorney General's First Data Request dated April 10, 2007 ("AG's First Request"), Item 7. Was Mr. Humrichouse aware that in previous rate cases utilizing the historic test year, the Commission has normally reflected the proposed adjustment to depreciation expense as an adjustment to the accumulated depreciation balance utilized in the calculation of the rate base? Explain the response.

28. Refer to the response to the AG's First Request, Item 9. Explain in detail the rationale behind Columbia's current accounting treatment for materials and supplies, which utilizes a miscellaneous deferred debit account. Indicate in this response if this accounting treatment is required by the Securities and Exchange Commission.

29. Refer to the response to the AG's First Request, Item 12, Attachment 1. Explain the negative ending balance and average rate per decatherm in 2003, 2004, 2005 and 2007.

30. Refer to the response to the AG's First Request, Item 21. Columbia states that it estimated the "behavior" factor based on an expected decrease in occurrences if the proposed increase in miscellaneous revenue items is implemented.

a. When Columbia has increased its miscellaneous charges in past cases, did it experience a decrease in the occurrences of those charges?

b. If yes, provide the percentage decrease in the occurrences.

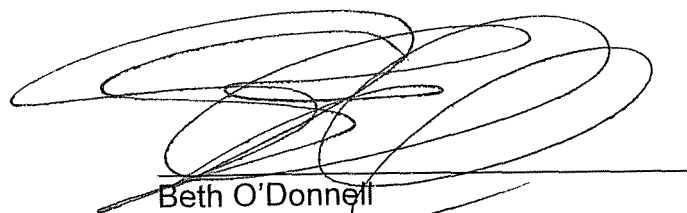
31. Refer to the response to the AG's First Request, Item 65. Explain in detail why the \$9,500 for charges relating to public and community relations and civil affairs should be included for rate-making purposes.

32. Refer to the response to the AG's First Request, Item 67. Based on the definitions of the American Gas Association ("AGA") functional cost centers, explain why an adjustment based on the budget percentages applicable to "Policy, Planning & Regulatory Affairs" and "Public Affairs" should not be made to reduce the test-year AGA dues expense for rate-making purposes.

33. Refer to the response to the Lexington-Fayette Urban County Government's First Data Request dated April 10, 2007, Item 13. Columbia provided a list of addresses for every location in Fayette County where a customer can go to pay a bill or have a question answered in a face-to-face setting.

a. Are these locations actually dedicated to Columbia business or are they other businesses that accept payments from Columbia customers?

b. If these locations are other businesses that accept payments from Columbia customers, describe the training the businesses receive in order to answer questions from Columbia customers.

A handwritten signature in black ink, consisting of several overlapping loops and a horizontal line at the bottom, positioned above the typed name.

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

DATED May 8, 2007

cc: All Parties

Case No. 2007-00008

