

November 21, 2011

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
Commonwealth of Kentucky  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, KY 40602

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PUBLIC SERVICE  
COMMISSION

**RE: PSC Case No. 2011-00422**

Dear Mr. Derouen,

Enclosed for docketing with the Commission are an original and ten (10) copies of Columbia Gas of Kentucky, Inc., responses to Commission Staff's First Request for Information. Should you have any questions about this filing, please contact me at 614-460-5558. Thank you.

Sincerely,



Brooke E. Leslie  
Counsel

Enclosures

Cc: Hon. Richard S. Taylor

**COLUMBIA GAS OF KENTUCKY, INC.**  
**RESPONSE TO COMMISSION STAFF'S REQUEST FOR INFORMATION**  
**DATED NOVEMBER 14, 2011**

**Data Request No. 1:**

Columbia's application at paragraph (g) states, "Both companies recorded a liability reflecting the expected future obligation for OPEB costs and recognized the offset as a regulatory asset.

- a. Explain whether Columbia received Commission approval to establish the aforementioned regulatory asset.
- b. If the answer to part a. of this request is yes, provide the document in which the Commission granted approval to establish the regulatory asset.

**Response:**

Columbia decided in late 1991 to early adopt SFAS No. 106 retroactive to January 1, 1991. While not seeking Commission approval, the Company made the decision to defer the incremental accrual expense levels as a regulatory asset per GAAP guidance in SFAS No. 71 – Accounting for Certain Types of Regulation. This decision was documented in the testimony of Columbia witness Susan F. Phelps (page 4) as part of Case No. 94-179.

This decision was further supported in Commission Order in Case No. 92-043 in which the Commission responded to a Joint Petition for reconsideration by

several Kentucky utilities (not including Columbia) seeking a generic Order for SFAS No. 106 costs. The Order affirmed the previous Commission decision that the adoption of SFAS 106 should be considered on a case-by-case basis in the context of a general rate case and reaffirmed that the Petitioners did not need prior approval to adopt SFAS 106 for accounting purposes (page 6).

The Order in Case No. 92-043 also stated that there appeared to be no justification in the proceeding to establish on a generic basis a regulatory asset for any of the SFAS 106 costs (page 8). The Commission further stated (bottom of page 8 and top of page 9), "However, if any of the utilities elects to create a regulatory asset, the Commission will certainly consider the need for recovery of the deferred costs in future rate cases."<sup>2</sup>

As stated in Columbia's response to PSC Data Request No. 2, the recovery of Columbia's deferred SFAS No. 106 costs were addressed in Columbia's subsequent Rate Case, Case No. 94-179, as outlined in the guidance from the Order in Case No. 92-043.

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<sup>2</sup> December 17, 1992 Order, page 2

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**Data Request No. 2:**

Columbia's application at paragraph (g) makes reference to Case No. 1994-001 79. Provide a brief summary of what was authorized by the Commission in that case as it pertains to the rate-making treatment of the deferral and the amortization period relating to Statement of Financial Accounting Standards 106 costs. Include cites to the specific section and/or page of the November 1, 1994 Order which addressed this specific issue.

**Response:**

The Public Service Commission Order in Case No. 94-179 approved a Joint Stipulation and Recommendation ("settlement") filed on September 23, 1994 by multiple parties to the case. The rate-making treatment provided for Other Post-Retirement Employee Benefits (OPEB) costs is detailed in Paragraph 6 (pages 6 and 7) of the settlement document.

In addition to using the accrual OPEB expense in the test period for determining on-going cost recovery levels, the settlement provided for an 18-year recovery of the accrued OPEB obligation existing at January 1, 1993 as well as the incremental OPEB accrued during calendar year 1994. The sum of these two items totaled \$9,689,192. The settlement did not include recovery of the incremental OPEB accrued during calendar year 1993.

A detailed calculation of the 18-year amortization is included in Settlement Attachment D. The annual amortization of \$538,288 was allocated as follows:

- \$79,882 - Annual amortization assigned to capital accounts
- \$458,406 - Annual amortization assigned to operation and maintenance expense.

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**Data Request No. 3:**

Columbia's application at paragraph (I) states, "Columbia's current base rates, as well as all other base rates in prior cases, include a representative level of NCSC OPEB expense based on claims paid." Provide the representative levels of NiSource Corporate Service Company Other Post-Employment Benefit expense included in Columbia's base rates in its two most recent base rate cases.

**Response:**

Columbia included NiSource Corporate Service Company Other Post-Employment Benefit expense of \$64,118 in Case No. 2009-00141 and \$ 118,687 in Case No. 2007-00008.

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**Data Request No. 4:**

Provide the amount of the change in Columbia's operating expenses required to change its return on equity by 0.25 percent.

**Response:**

Based on an October 31, 2011 common equity level of \$89,971,423, a \$368,133 change in operating expense is required to change return on equity by 0.25 percent. Columbia's request to defer \$294,733 of OPEB expense results in a change of return on equity of 0.20 percent and is an amount greater than the \$227,537 deferred as a regulatory asset for rate case expense in Columbia's last rate case, Case No. 2009-00141.