

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 26 2013

**PUBLIC SERVICE
COMMISSION**

| | | |
|-----------------------------|---|----------------|
| IN THE MATTER OF |) | |
| |) | |
| FILING OF COLUMBIA GAS OF |) | |
| KENTUCKY, INC. TO AMEND ITS |) | Case No. 2013- |
| DEMAND-SIDE MANAGEMENT |) | |
| ENERGY EFFICIENCY AND |) | |
| CONSERVATION RIDER |) | |

**APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.
AND REQUEST FOR EXPEDITED CONSIDERATION**

The petition of Columbia Gas of Kentucky, Inc. ("Columbia") respectfully states:

(A) That applicant is engaged in the business of furnishing natural gas services to the public in certain counties in the Commonwealth of Kentucky, pursuant to authority granted by the Commission.

(B) That applicant's full name and post office address is:

Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P.O. Box 14241
Lexington, KY 40512-4241

(C) That Columbia's Articles of Incorporation previously have been filed with the Commission in Case No. 2013-00066 and are incorporated herein by reference.

(D) Columbia's Energy Efficiency/Conservation Program ("EECP") Program was approved by Commission Order dated October 26, 2009 in Case No. 2009-00141. Pursuant to Columbia's tariff sheet number 51d, Columbia makes an annual filing each year in which it proposes the Energy Efficiency/Conservation Program Cost Recovery Component ("EECPRC") to be effective beginning with February bills.

(E) To comply with the above Order, on January 12, 2012, Columbia made its annual filing in which it proposed that the EECPRC be reduced from \$.76/bill to a credit of (\$.04)/bill. However, after an Informal Conference, Columbia filed a Request to Deviate on January 26, 2012 in Case No. 2012-00016. In that request Columbia sought authorization to continue to bill the \$.76/bill EECRPC. Columbia made this request because expenses for the EECP were lower than anticipated at the beginning of the program, and Columbia proposed to spend the three-year budget over the full three years of the program instead of refunding unspent amounts from the first two years of the program. By Order dated March 22, 2012, the Commission approved the Request to Deviate, establishing the

EECPRC rate at \$.76/bill. That Order also directed Columbia to comply with the terms of its tariff for future annual EECPRC rate adjustments.

(F) Columbia made its most recent EECR annual filing, for rates to be effective February 2013, on December 28, 2012 in Filing No. TFS2012-01181. That filing proposed to reduce the EECPRC from \$.76/bill to a credit of (\$.24/bill). On January 21, 2013, the Commission accepted Columbia's tariff as filed.

(G) When Columbia filed its Request for Deviation in January 2012, Columbia anticipated that participation in the Low-Income Furnace Replacement program and Home Energy Audit program would increase sufficiently so that the expenses of the programs would eliminate the over-accumulation of funds for the programs. However, EECR participation levels through October 2012 were not robust enough to eliminate the over-accumulation of funds. Thus, the EECPRC approved on January 28, 2013 reflected the return to customers of \$1,424,106, representing unspent EECR funds.

(H) While participation levels did not ramp up as expected through October 2012, participation has since increased dramatically. Based on information obtained from customer focus groups, the name Home Energy Audits was changed to Home Energy Checkups. Columbia conducted a promotion campaign late in 2012, and this campaign generated an overwhelming response re-

sulting in a backlog that will not be eliminated until May 2013. Participation in the Low Income Furnace Replacement program also increased, averaging 30 customers per month, and the average appears likely to increase to 35 customers per month.

(I) The recent surge in customer participation, coupled with the reduction of the EECPRC to (\$.24)/bill in February 2013, has created a projected budget shortfall for the EECPRC. The EECPRC has an annual budget of \$908,000. Columbia has spent \$690,258 from November 2012 through February 2013, leaving only \$217,742 in program funds for the remainder of the program year (through October 2013).

(J) On March 21, 2013, Columbia met with its Demand Side Management (“DSM”) Collaborative and reviewed the budget situation with that group. A copy of the materials shared with the DSM Collaborative and the meeting notes are attached hereto as Attachment 1.¹ Columbia believes that the consensus of that group was that Columbia should not temporarily halt its program at any point during 2013 only to restart the program in the future. Instead, the group appeared to agree that the optimal solution was to request that the EECPRC be restored to the \$.76/bill in effect prior to February 2013.

¹ The numbers contained in the attachment differ slightly from the numbers in this Application. Since the distribution of the materials in Attachment 1 Columbia has refined its figures, and the figures contained in this Application are more up to date than those contained in the attachment.

(K) Given the recent upsurge in EECF participation levels, and the current EECF budget situation, Columbia respectfully requests that the Commission authorize Columbia to return its EECPRC to \$.76/bill effective with June 2013 billings². This would make available funds of approximately \$ 1,000,000 from the carry-over that has not yet been refunded to customers, in order to allow continued participation and stability in the EECF. Attached hereto as Attachment 2 is a copy of the proposed tariff that would return the EECRPRC to \$.76/bill effective with June 2013 billings.

(L) Columbia respectfully requests expedited consideration of this application by May 28, 2013 so that Columbia can implement the rate revisions requested herein effective with June 2013 billings that begin on May 30, 2013. If it would be helpful, Columbia also requests that the Commission promptly schedule an Informal Conference so that Columbia and its DSM Collaborative can discuss this matter, and any related procedural issues, with Commission Staff.

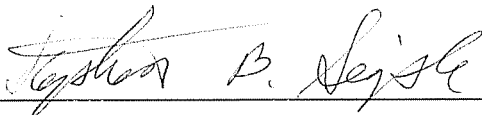
² The first unit of Columbia's June billings begins May 30, 2013.

WHEREFORE, for the reasons explained herein, Columbia respectfully requests that the Public Service Commission expeditiously issue an order authorizing Columbia to revise its EECPRC to \$.76/bill effective for June 2013 billings. Columbia also requests that the Commission expeditiously approve the proposed tariff sheet attached hereto as Attachment 2.

Dated at Columbus, Ohio, this 25th day of April 2013.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: 
Stephen B. Seiple
Assistant General Counsel

Stephen B. Seiple, Asst. General Counsel
Brooke E. Leslie, Counsel
200 Civic Center Drive
P.O. Box 117
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-6986
Email: sseiple@nisource.com

Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40602
Telephone: (502) 223-8967

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.

ATTACHMENT 1
DSM COLLABORATIVE MATERIALS

**Columbia Gas of Kentucky
DSM Collaborative Meeting
March 21, 2013
Meeting Notes**

Attendees:

Jennifer Hans, Attorney General's Office (by phone)
Vince Parisi, IGS (by phone)
Larry Friedman, IGS (by phone)
John Dosker, Stand Energy (by phone)
Jack Burch, Community Action Council
Charlie Lanter, Community Action Council
Linda Hampton, Community Action Council
Judy Cooper, Columbia Gas of Kentucky
Susie Durr, Columbia Gas of Kentucky
Lisa Smith, Columbia Gas of Kentucky
Herb Miller, Columbia Gas of Kentucky
Cynthia Benham, Columbia Gas of Kentucky

Welcome and Introductions

Judy Cooper and Herb Miller welcomed those attending in person and by phone and introductions were made.

Overview of Current Programs

A Power Point presentation (distributed with these meeting notes) was distributed to all participants in the room. Judy Cooper reviewed the participation statistics for each program, promotional program for the Home Energy Checkup program, post-checkup customer satisfaction survey results for the Home Energy Checkup program and overall financial status for the DSM program.

Judy informed the group that given the current monthly reimbursement of 24 cents per customer and the increased participation rate for the Home Energy Checkup program and the Low-Income Furnace Replacement program, Columbia's DSM program is now outperforming current budget levels. With an annual budget of \$908,000, Judy reported that Columbia has spent \$656,843 from November 2012 through February 2013, leaving only \$251,157 in program funds for the remainder of the program year (through October 2013).

Judy asked for input from Collaborative members on possible solutions, indicating that Columbia prefers not to stop and restart the program.

John Dosker said that the current low-cost environment is actually a good time for DSM programs because customers may be able to make home improvements while prices are low when they would not be able to do so when natural gas prices are higher. He believes additional funds for the program are needed.

Judy asked Jennifer Hans about her thoughts on stopping/starting the program. She indicated that other utilities that have had to stop and re-start their programs have actually seen an increase in costs. She asked if Columbia's intent was to increase program funding. Judy responded that Columbia is not currently seeking an increase in funding, but would like to go back to the Public Service Commission as soon as possible to request some type of mechanism to cease the 24 cent credit and re-establish the 76 cent charge.

Herb Miller informed the group that Columbia is considering a rate proceeding this year and would like to move forward with this request to the PSC separately as the need is immediate to keep the program active.

Jennifer Hans said the notice of a rate case does not change their support for Columbia's program or DSM programs. She did indicate that some type of cost-benefit analysis would be beneficial. Jack Burch indicated that while more time would be needed to demonstrate real results, he did feel they had enough data to show some improvement through the Low-Income Furnace Replacement program.

The parties agreed that an informal conference to discuss the procedural details would be beneficial. The parties also requested bullet points outlining Columbia's DSM budget request for review. Judy Cooper will provide this information by end of the day on March 29 for all parties to review and provide comments.



Energy Efficiency Program Update

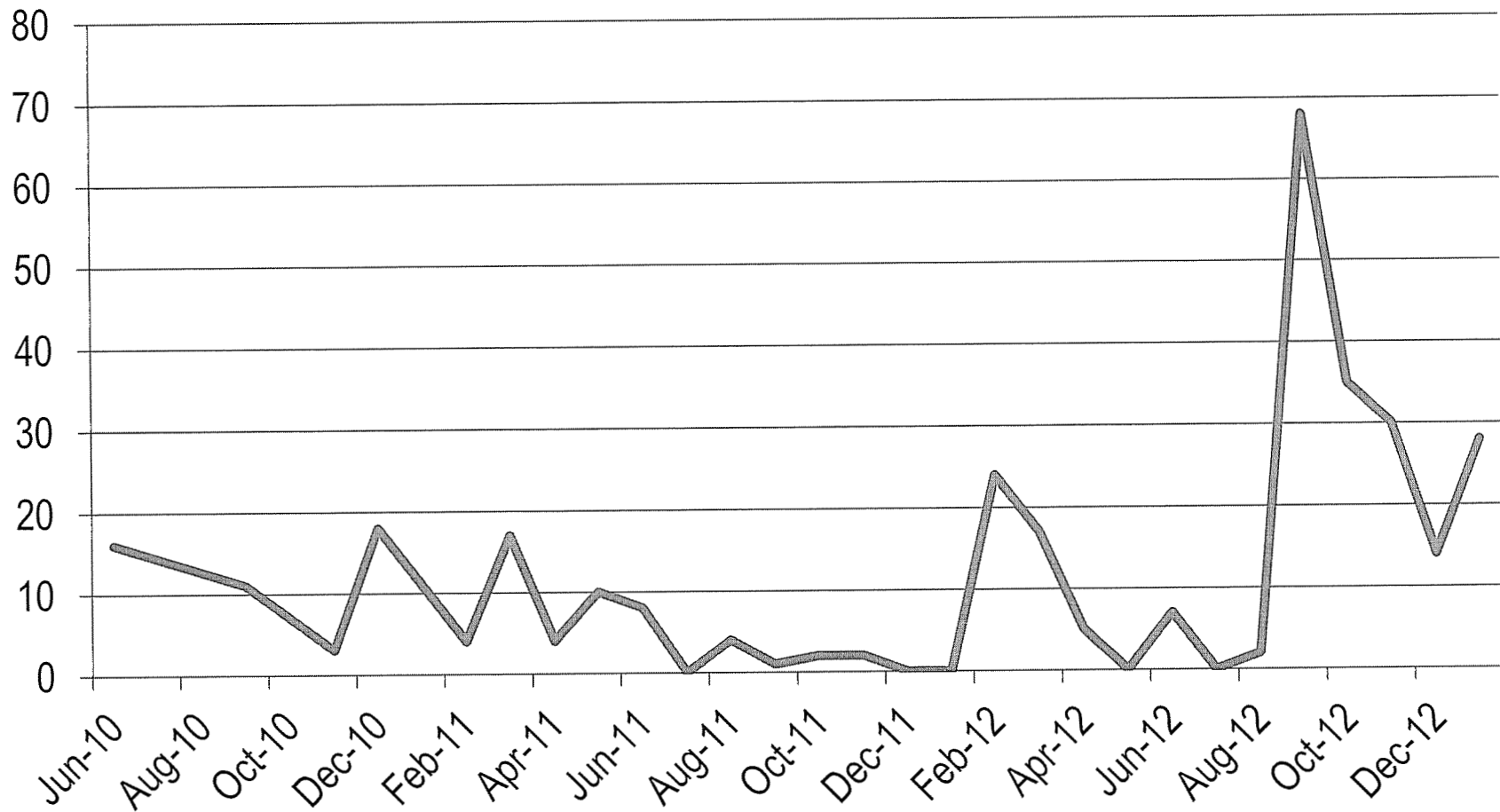
March 21, 2013

Program Budget

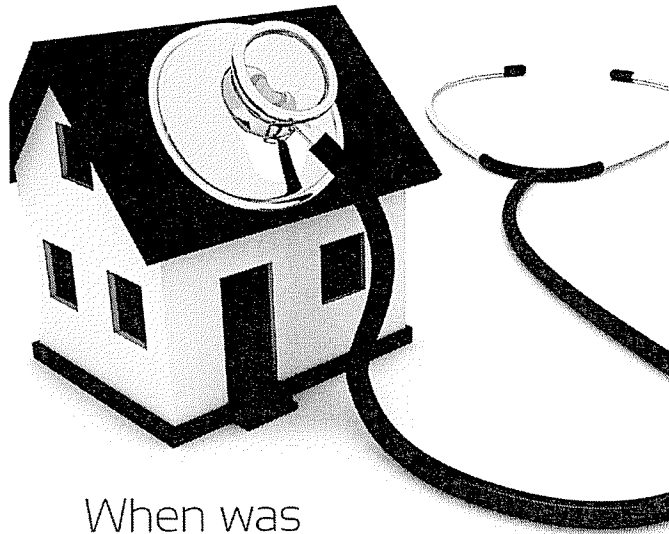
| | As of 4/30/12 | 11/1/09-10/31/12 Actuals | As of 2/28/13 |
|-----------------|------------------|-----------------------------|------------------|
| Prior Carryover | \$633,696 | | |
| Annual Budget | \$908,000 | | |
| Total Budget | \$1,541,696 | \$3,353,150* | \$908,000 |
| Spent | \$375,418 | \$1,929,044 | \$656,843 |
| Remaining | \$1,166,278 | (\$1,424,106) | \$251,157 |

* Amount recovered

Furnace Replacement Participation



Home Energy Checkup Promotion



When was
the last time
yours had one?

Free home energy checkup.*

Give us an hour and we'll find the cracks, holes, gaps
and spaces that are costing you money on your
energy bill. Visit columbiagas.com/checkup or
call 800-300-8709 to schedule an appointment.
Weekend and evening appointments available.

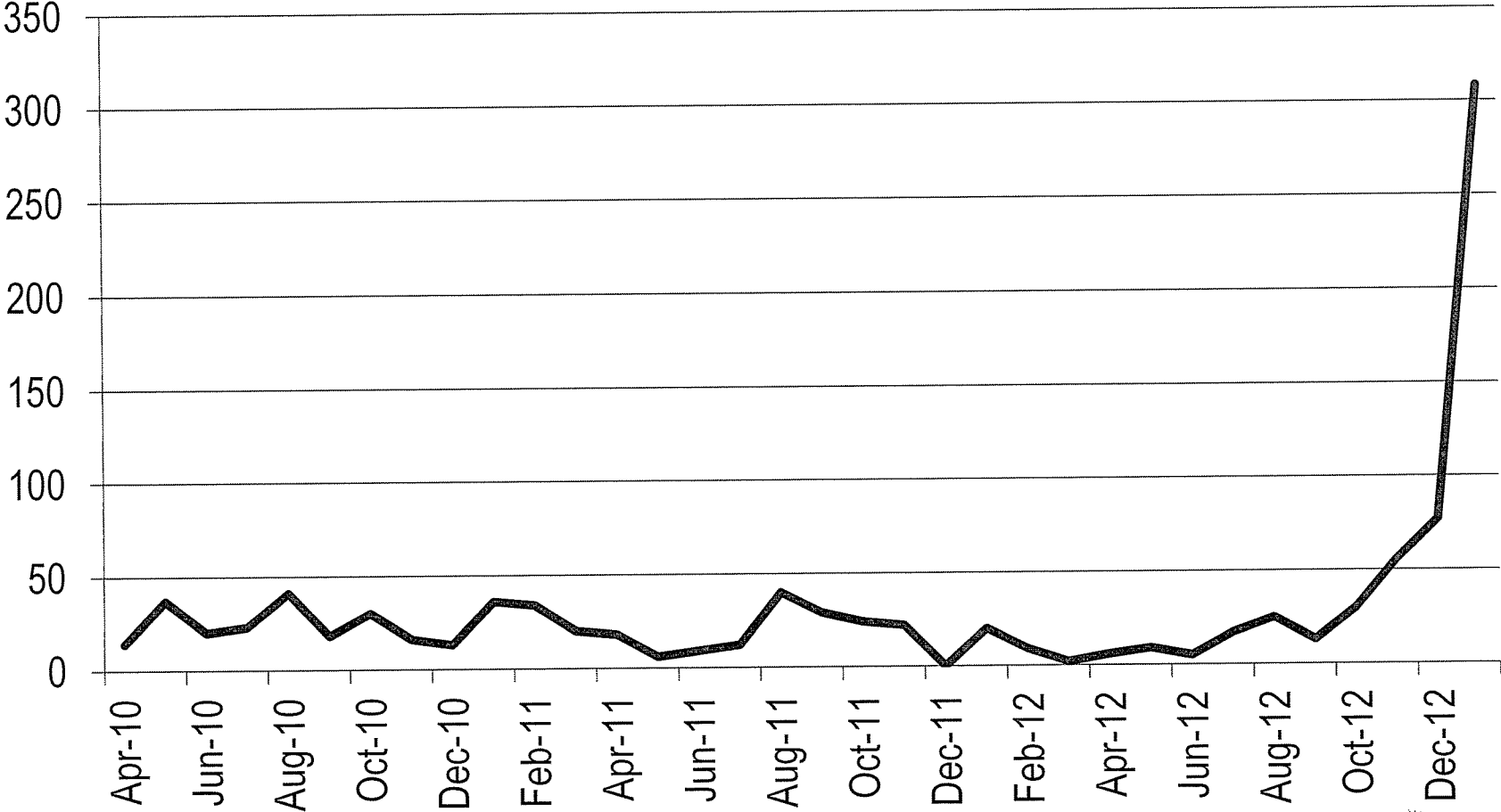
*Offer available in participating areas only.

Columbia Gas
of Kentucky
A NiSource Company

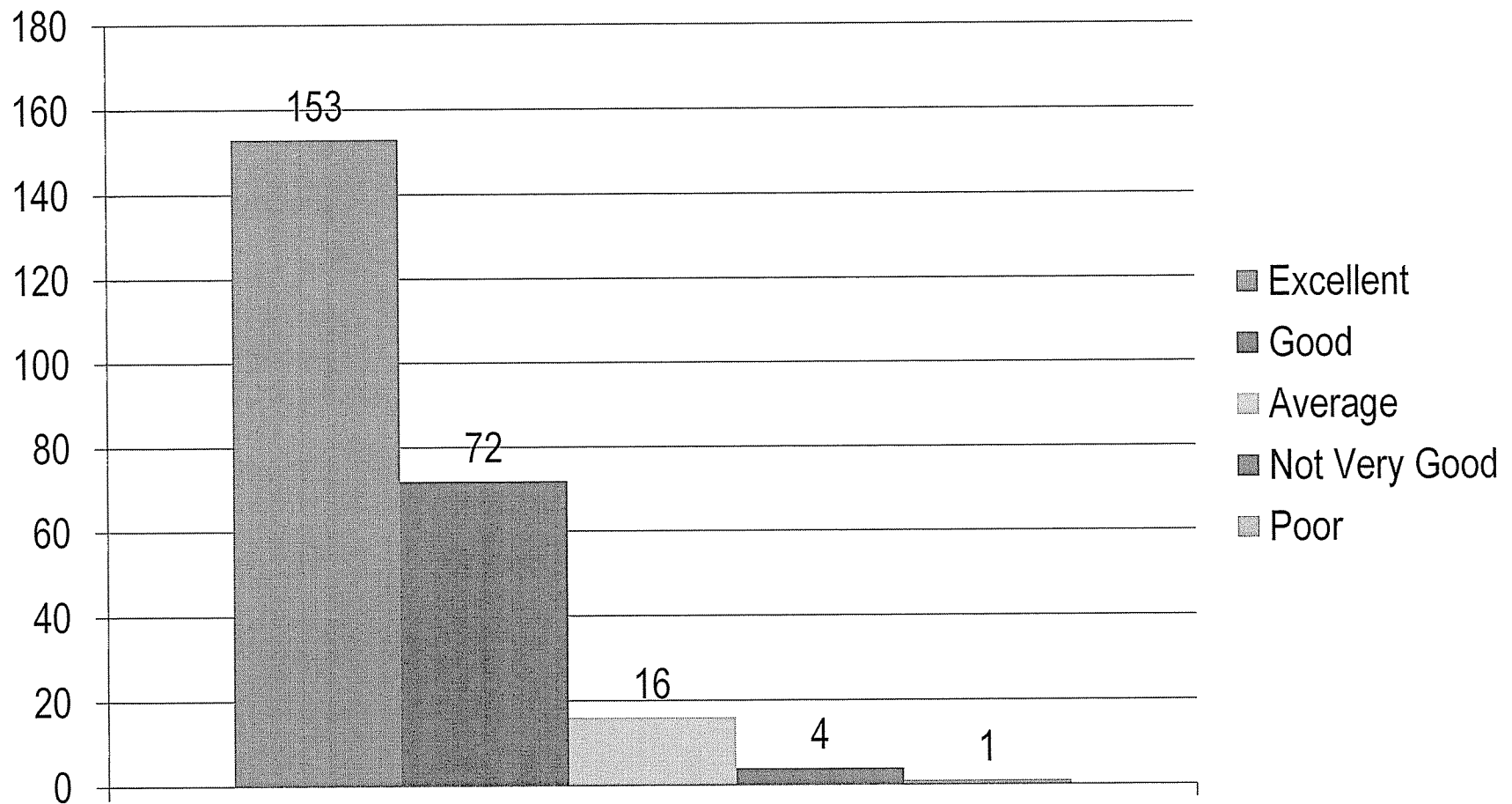
- Direct mail
- Customer email
- Online ads
- Mall advertising
- Radio
- Specialty print

Columbia Gas[®]
of Kentucky
A NiSource Company

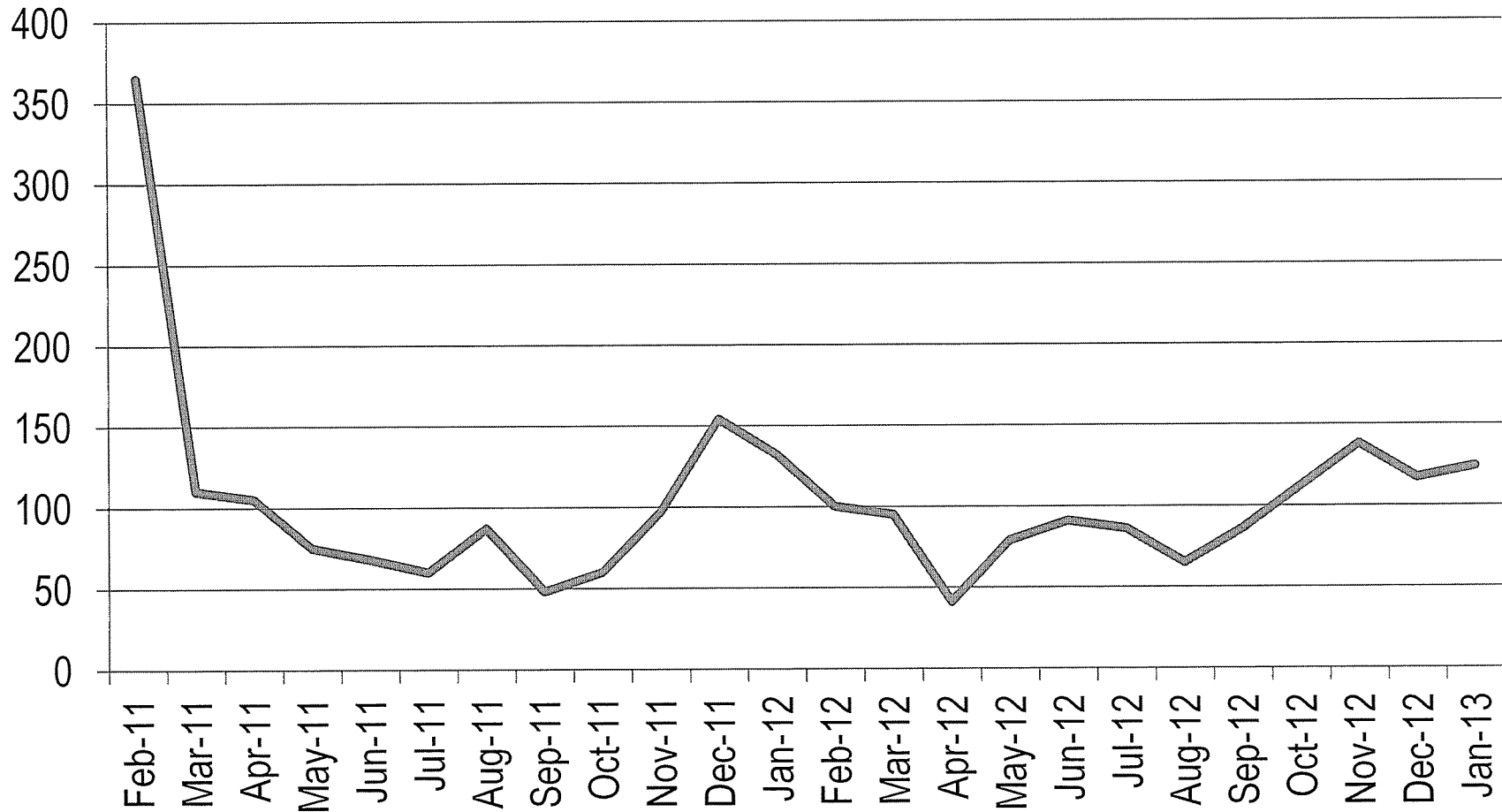
Home Energy Checkup Participation



Post-Checkup Survey Results



Appliance Rebate Participation



DSM Budget Notes

Purpose: Restore the DSM surcharge to its previously authorized rate in order to continue program participation at current levels through October 2013 and prevent a halt in availability due to insufficient funds.

- On March 22, 2012 the Commission issued its Order granting the requested deviation (Case No. 2012-00016) from Columbia's Energy Efficiency and Conservation Rider and allowing the carry-over of program funds accumulated from the initial rate authorization in October 2009 through October 2011.
- The same order required Columbia to follow the terms of its tariff in every future filing.
- The expectation for 2012 was that problems surrounding participation in the Low-Income Furnace Replacement and Home Energy Audit programs would grow sufficiently to resolve the over-accumulation of funds, and possibly exceed original program expectations.
- On December 28, 2012 Columbia submitted its report for the program year ending October 31, 2012 and its proposed Rider adjustment pursuant to the terms of its tariff. The activity of program year ending October 2012 was not sufficient to resolve the over-accumulation of funds. A carry-over of funds in the amount of \$1,424,106 would be returned to customers over 12 billing months. The proposed rate was a decrease from a charge of 76 cents to credit of 24 cents per customer. The rate was approved on January 28, 2013 for February 2012 billing.
- The participation problems that were expected to be resolved in 2012, have finally been resolved. Based on information obtained from customer focus groups, the name Home Energy Audits was changed to Home Energy Checkups. One promotion campaign was conducted late in 2012 and generated an overwhelming response, that we are working to eliminate the backlog by May 2013. The Low Income Furnace Replacements have also hit their stride, averaging 30 customers per month and that likely to increase to 35. It seems we just needed a little bit more time that we thought.
- An application to the Commission and expedited approval to return to the charge of 76 cents, if effective for May 2013 billing, would make available funds of approximately \$ 1,000,000 from the carry-over, that would not have yet been returned, to allow continued participation and stability in the program.

**ATTACHMENT 2
PROPOSED TARIFF**

**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY
(Continued)**

MODIFICATIONS TO EECPRC (continued)

Each change in the EECPRC shall be placed into effect with meter readings on and after the effective date of such change.

Adjustment Factors: Per Meter per Billing Period

Residential:

| | | |
|--|-----------------------------------|-----|
| EECPCR | \$0.61 | |
| EECPLS | \$0.03 | |
| EECPI | \$0.12 | |
| EECPBA | (\$1.00) <u>\$0.00</u> | (l) |
| Total EECPRC for Residential Customers | (\$0.24) <u>\$0.76</u> | (l) |

Commercial:

| | |
|---------------------------------------|---------------|
| EECPCR | \$0.00 |
| EECPLS | \$0.00 |
| EECPI | \$0.00 |
| EECPBA | <u>\$0.00</u> |
| Total EECPRC for Commercial Customers | \$0.00 |

DATE OF ISSUE ~~December 28, 2012~~April 26, 2013

DATE EFFECTIVE ~~January~~May 30, 2013

ISSUED BY Herbert A. Miller
TITLE President

~~ISSUED BY AUTHORITY OF AN ORDER OF THE PUBLIC
SERVICE COMMISSION IN CASE NO. _____ DATED~~

**ENERGY EFFICIENCY AND CONSERVATION RIDER
ENERGY EFFICIENCY/CONSERVATION PROGRAM COST RECOVERY
(Continued)**

MODIFICATIONS TO EECPRC (continued)

Each change in the EECPRC shall be placed into effect with meter readings on and after the effective date of such change.

Adjustment Factors: Per Meter per Billing Period

Residential:

| | | |
|--|---------------|-----|
| EECPCR | \$0.61 | |
| EECPLS | \$0.03 | |
| EECPI | \$0.12 | |
| EECPBA | <u>\$0.00</u> | (I) |
| Total EECPRC for Residential Customers | \$0.76 | (I) |

Commercial:

| | | |
|---------------------------------------|---------------|--|
| EECPCR | \$0.00 | |
| EECPLS | \$0.00 | |
| EECPI | \$0.00 | |
| EECPBA | <u>\$0.00</u> | |
| Total EECPRC for Commercial Customers | \$0.00 | |

DATE OF ISSUE April 26, 2013
DATE EFFECTIVE May 30, 2013
ISSUED BY *Herbert A. Miller, Jr.*
TITLE President