

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)	
FILING OF COLUMBIA GAS OF)	CASE NO.
KENTUCKY, INC.)	2016-00060

ORDER

On December 13, 2013, in Case No. 2013-00167,¹ the Commission approved rates for Columbia Gas of Kentucky, Inc. (“Columbia”) and provided for their further adjustment in accordance with Columbia’s Gas Cost Adjustment (“GCA”) clause.

On January 29, 2016, Columbia filed its proposed GCA to be effective March 1, 2016. On February 22, 2016, Columbia filed responses to a Commission Staff request for information (“Staff’s First Request”).

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Columbia’s notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.

2. Columbia’s Expected Gas Cost (“EGC”) is \$4.3062 per Mcf, which is a decrease of \$.4599 per Mcf from its previous EGC of \$4.7661 per Mcf. Columbia’s proposed EGC reflects a revised methodology for estimating storage withdrawal

¹ Case No. 2013-00167, *Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates for Gas Service* (Ky. PSC Dec. 13, 2013).

expense in order to address the possibility of material over-collections of gas cost such as those that were passed through the Actual Cost Adjustment (“ACA”) in past years.²

3. Columbia’s notice sets out a rate for Banking and Balancing Service of \$.0209 per Mcf, which is no change from its previous Banking and Balancing Service rate.

4. Columbia’s notice sets out no current quarter supplier Refund Adjustment (“RA”). Columbia’s total RA is (\$.0016) per Mcf, which is no change from its previous total RA.

5. Columbia’s notice sets out an Actual Cost Adjustment (“ACA”) of (\$1.9760) per Mcf, which is no change from its previous ACA.

6. In the final Order in Case No. 2015-00359,³ the Commission expressed concern regarding the reasonableness of Columbia's continued use of a GCA methodology that recalculates its ACA annually rather than quarterly.⁴ Columbia indicated in response to Staff’s First Request in this proceeding that it does not object to a change from an annual to a quarterly calculation of its ACA; neither does it object to changing the calculation of its Balancing Adjustment (“BA”) from a semi-annual to a quarterly calculation. Columbia provided suggestions for implementing such changes to

² Columbia’s Response to Commission Staff’s First Request for Information (“Staff’s First Request”), Item 1.

³ Case No. 2015-00359, *Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc.* (Ky. PSC Nov. 20, 2015).

⁴ The Commission’s concern arose from a recent 12-month \$19 million over-recovery of gas cost from Columbia’s ratepayers, leading to the requirement that Columbia participate in an Informal Conference with Commission Staff to discuss the issue.

its GCA methodology in the event that the Commission found such changes to be reasonable.⁵

7. Columbia's notice sets out a Balancing Adjustment ("BA") of (\$.1035) per Mcf, which is a decrease of \$.1007 per Mcf from its previous BA of (\$.0028) per Mcf.

8. Columbia's notice sets out a Special Agency Service ("SAS") refund adjustment of \$.0000 per Mcf, which is no change from its previous SAS refund adjustment.

9. Columbia's notice sets out its Gas Cost Incentive Adjustment ("GCIA") of \$.0000 per Mcf, which is a decrease of \$.0472 per Mcf from its previous GCIA of \$.0472 per Mcf.

10. Columbia's GCA is \$2.2251 per Mcf, which is a decrease of \$.6078 per Mcf from the previous GCA of \$2.8329 per Mcf.

11. The rates as proposed by Columbia and set forth in the Appendix to this Order are fair, just, and reasonable and should be approved for billing for the March 2016 billing cycle beginning on March 1, 2016.

12. In order to improve the timely reconciliation of its gas cost through the GCA mechanism for the benefit of both Columbia and its ratepayers, Columbia should implement a change from an annual to a quarterly ACA calculation, with each quarterly ACA rate to be effective for 12 months. Columbia should likewise change from a semi-annual to a quarterly BA calculation, with BA rates to be effective for three months, as proposed by Columbia. In order to implement the more timely gas cost reconciliation cycle as soon as possible, such changes should be effective with its next GCA filing for

⁵ Columbia's Response to Staff's First Request, Item 1.

the June 2016 billing cycle, instead of delaying until the September 2016 billing cycle as suggested by Columbia.

13. The ACA and BA reporting periods provided in response to Staff's First Request, Item 1.d., which coincide with Columbia's Quarterly Calendar Periods as set out in the Definition section of its GCA tariff, are reasonable and should be approved.

14. No less than 30 days before the beginning of its June 2016 billing cycle, Columbia should file its GCA reflecting its first quarterly ACA and BA calculations. The ACA calculation should be based on under/over-collections of gas cost for the eight months beginning July 2015 through February 2016.⁶ The new quarterly ACA rate effective June 2016 will be charged concurrently with the existing (\$1.9760) per Mcf ACA until it expires with rates effective September 2016. The BA calculation should be based on remaining under/over-collections of gas cost collected/returned through the operation of the RA, ACA, and BA for the period September 2015 through February 2016.⁷ The new quarterly BA rate effective June 2016 will be charged concurrently with the (\$.1035) per Mcf BA approved herein until it expires September 2016. Thereafter, beginning with Columbia's GCA filing for rates effective September 2016, Columbia will be able to file its ACA and BA calculations using three-month reporting periods as contemplated by the GCA tariff revisions approved herein.

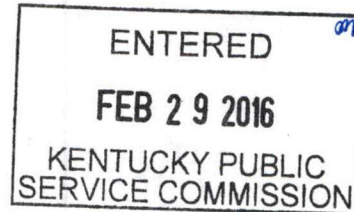
⁶ Columbia's currently approved ACA was calculated to reconcile gas cost for the 12-month period ending June 30, 2015.

⁷ The BA approved herein was calculated to reconcile remaining under/over-recoveries of gas cost for the six-month period ending August 31, 2015.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Columbia and set forth in the Appendix to this Order are approved for billing for the March 2016 billing cycle beginning on March 1, 2016.
2. Columbia shall revise its GCA tariff and mechanism so that its ACA and BA are calculated quarterly, effective with its GCA filing for the June 2016 billing cycle as described herein.
3. Within 20 days of the date of this Order, Columbia shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates and ACA and BA mechanism revisions approved herein and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:

Acting Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2016-00060 DATED **FEB 29 2016**

The following rates and charges are prescribed for the customers in the area served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

CURRENTLY EFFECTIVE BILLING RATES

	Base Rate Charge	Gas Cost Demand	Adjustment ^{1/} Commodity	Total Billing Rate
	\$	\$	\$	\$
<u>SALES SERVICE</u>				
<u>RATE SCHEDULE GSR</u>				
Delivery Charge per Mcf	2.2666	1.3114	.9137	4.4917
<u>RATE SCHEDULE GSO</u>				
<u>Commercial or Industrial</u>				
First 50 Mcf or less per billing period	2.2666	1.3114	.9137	4.4917
Next 350 Mcf per billing period	1.7520	1.3114	.9137	3.9771
Next 600 Mcf per billing period	1.6659	1.3114	.9137	3.8910
Over 1,000 Mcf per billing period	1.5164	1.3114	.9137	3.7415
<u>RATE SCHEDULE IS</u>				
First 30,000 Mcf per billing period	0.5443		.9137 ^{2/}	1.4580
Over 30,000 Mcf per billing period	0.2890		.9137 ^{2/}	1.2027
Firm Service Demand Charge				
Demand Charge times Daily Firm Volume (Mcf) in Customer Service Agreement		6.8316		6.8316

^{1/} The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of Columbia's Tariff. The Gas Cost Adjustment applicable to a customer who is receiving service under Rate Schedule GS or IUS and received service under Rate Schedule SVGTS shall be \$4.7661 per Mcf only for those months of the prior 12 months during which they were served under Rate Schedule SVGTS.

^{2/} IS Customers may be subject to the Demand Gas Cost under the conditions set forth on Sheets 14 and 15 of Columbia's tariff.

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