



May 31, 2016

Mr. Aaron Greenwell
Acting Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

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MAY 31 2016

PUBLIC SERVICE
COMMISSION

Re: Columbia Gas of Kentucky, Inc.
PSC Case No. 2016-00140

Dear Mr. Greenwell,

Attached for filing is an original and ten (10) copies of Columbia Gas of Kentucky Inc.'s ("Columbia") responses to Commission Staff's Initial Requests for Information made May 23, 2016. Should you have any questions about this filing, please contact me at 614-460-4648. Thank you.

Very truly yours,

Stephen B. Seiple (gmc)

Stephen B. Seiple
Assistant General Counsel

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SUPPLEMENTAL REQUEST FOR INFORMATION
DATED MAY 23, 2016

1. Refer to Columbia's response to Commission Staff's Initial Request for Information ("Staff's First Request"), Item 1 and Item 2, Attachment A, which includes information on projects completed in 2015. With regard to Item 1, provide a detailed explanation of the circumstances giving rise to:

a. the annual budget "underruns" related to the growth and public improvement capital budget classes;

b. the decision to shift capital to the Accelerated Main Replacement Program ("AMRP");

c. the determination that the "public improvement and compliance/capacity related betterment projects" were not considered to be in the ordinary course of business, but were rather eligible for inclusion in the AMRP, and the percentage that priority pipe replacement represented in each project; and

d. the projected retirements being "somewhat lower than projected." Also confirm that Item 2, Attachment A, shows that the actual footage of priority pipe retirements was 81,701, compared to 70,733 projected for 2015, resulting in 15.5 percent more priority pipe retirement footage

Response:

- a. Columbia begins each year with an approved capital budget that includes the growth and public improvement budget classes. Expenses in the growth category are used for facilities required to serve new customers and expenses in the public improvement category are for any facilities that must be relocated or raised/lowered to meet the requirements of municipal roadway reconstruction projects. Underruns in the growth budget class are usually attributable to a lower new customer cost to add than what was forecasted for the year. Underruns in the public improvement budget class are usually attributable to fewer public improvement projects.
- b. Columbia maintains a 24-month inventory of AMRP related projects. In order to minimize slippage, Columbia decided to shift underruns in other budget classes over to the AMRP to continue the accelerated replacement of priority pipe.
- c. All projects that retire priority pipe are eligible for inclusion in the AMRP. As a result, Columbia's engineering department actively looks for each opportunity to efficiently retire priority pipe and adjusts the scope of projects when prudent. In 2015, 0.76% of priority pipe retirement was completed on compliance projects and 12.88% of priority pipe retirement was completed on public improvement projects.

d. In Columbia's response to Staff's First Request No. 1, the statement that "...projected retirements were somewhat lower than projected..." should have instead stated that "...actual retirements were somewhat lower than projected...". This statement is referring to the dollar amount of retirements, the projection of which was developed based on a 3-year average of actual total plant retirements and allocating a portion of this average to AMRP based on the projected 2015 additions of \$12,200,000. The actual dollar amount of retirements was lower than the projected amount, resulting in an increase to total net plant over the originally filed amount.

Columbia's methodology for calculating the projected retirement dollars for financial forecasting purposes is independent of the projected retirement footages developed by its Engineering Department. Columbia confirms that the actual footage retired in 2015 as shown in response to Staff's First Request No. 2 is 81,701. Columbia also confirms that the projected footage to be retired in 2015 as shown in response to Staff's First Request No. 4 in Case No. 2014-00366 is 70,733.

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2. Refer to Columbia's response to Staff's First Request, Item 2, Attachment A, and Form 1.1 filed in Case No. 2014-00366.

a. Confirm that total services replaced were 24 percent higher than projected, explain why service replacements were so much higher than projected, and explain whether all service replacements included in the attachment resulted from projects that were substantially related to the retirement of priority pipe. If such is not the case, explain why these were determined to be eligible for AMRP recovery.

b. Confirm that the actual cost of mains, service replacement, and total project cost were all approximately 35 percent higher than projected for 2015, and explain whether Columbia believes its AMRP priority pipe replacement has been similarly escalated by the higher-than-projected investment.

Response:

- a. The total services replaced that were related to the AMRP program was actually only 6% higher than projected. The difference between the 24% and the 6% is attributable to the scattered service line replacements. The line item titled "Scattered Priority Service Line Replacements" in the attachment included in Columbia's response to Staff's First Request, Item 2 included the total scattered replacements rather than just the priority replacements. The correct number for scattered priority replacements is 739. The cost of the priority service line replacements is correct.

The increase in the total number of services was due to more service lines requiring replacement on projects than originally projected. Columbia confirms that all service replacements included on the attachment is related to the retirement of priority pipe or the replacement of individual priority service lines and eligible for AMRP recovery.

- b. The actual costs of mains and services were approximately 35% higher than projected. With the added investment, Columbia was able to retire 16% more bare steel and cast iron pipe than forecasted because of the additional projects.

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3. Refer to Columbia's response to Staff's First Request, Item 2, Attachment A. Except for Projects 1313463 and 1423264, the installed footage of each project identified in the requests below was at least 2,167 feet.

a. Projects 1317248 and 1422742 on the first page of the attachment had retirement footage ranging from nearly twice the installed footage (Project 1422742) to more than 3.5 times the installed footage (Project 1317248). Explain why the retirement footage for each project exceeded its installed footage to such an extent.

b. Projects 1314346 and 1424777 on the first page of the attachment had installed footage ranging from 1.5 times the retirement footage (Project 1314346) to nearly 2.5 times the retirement footage (Project 1424777). Explain why the installed footage project exceeded its retirement footage to such an extent.

c. Project 1313463 on the attachment's second page had retirement footage approximately 2.25 times the installed footage while Project 1423264 had installed footage approximately 2.2 times the retirement footage.

(1) Explain why Project 1313463's retirement footage exceed its installed footage to such an extent.

(2) Explain why Project 1423264's installed footage exceeded retirement footage to such an extent.

d. Projects 1315838, 1317618, 1318604, and 1528791 on the third page of the attachment had installed footage ranging from 1.5 times the retirement footage (Project 1318604) to 3.5 times the retirement footage (Project 1528791). Explain why the installed footage for each project exceeded its retirement footage to such an extent.

Response:

a. The reason Project 1422742 retired more pipe than was installed was because Columbia retired 1875 feet of bare steel pipe downstream of this work that no longer served any customers and was no longer needed for system reliability.

For Project 1317248, the install footage in the attachment was incorrectly indicated. The actual install footage was 6346 feet. The priority pipe footage is correctly indicated as 9368 feet. The reason the retirement footage exceeded the install footage by 3022 feet is because Columbia replaced dual mains located on part of the project with a single main.

- b. For Project 1314346, Columbia installed 5501 feet of 2-inch medium pressure pipe and retired a total of 6374 feet of low pressure pipe for a net reduction of 873 feet of pipe. While only 3674 feet of the replacement was bare steel, another 425 feet of non-priority pipe was eliminated by abandonment because it was no longer needed for system integrity or to supply customers. Additionally, it was more cost effective to replace the other non-priority pipe sections rather than tie-in and uprate those sections that were interspersed sporadically within the replacement area.

For project 1424777, Columbia installed 4116 feet of 2-inch medium pressure pipe and retired a total of 4120 feet of pipe. While only 1741 feet of pipe was bare steel, 1987 feet of pipe was pre-1971 pipe that was ineffectively coated or had no coating applied at all as evidenced by exposure records and leak records in the area. Another 392 feet represented short sections of steel and plastic where it was more cost effective to replace the pipe rather than to tie-in and uprate.

- c. Columbia was able to retire more pipe than was installed on Project 1313463 because of dual mains in the area and the supply piping from a pressure control station was no longer necessary for the reliable operation of Columbia's system.

There were two job orders associated with Project 1423264 indicated on the spreadsheet. One job order for the south side of Main Street and one for the north side of Main Street. The total project installation was 1894 feet while the total retirement was 2111 feet. The bare steel retirement totaled 1339 feet, but the replacement also included 807 feet of interspersed pre-1971 coated steel pipe where it was more cost effective to replace it rather than tie in and uprate the pipe. Likewise, there were also short sections of plastic pipe totaling 663 feet where it was more cost effective to replace the pipe rather than tie in and uprate.

- d. Columbia installed more pipe than was retired on project 1315838 because the existing easement on part of the project provided insufficient room to avoid an encroachment with existing structures. As a result, Columbia negotiated new land rights for the replacement pipe which were located on the perimeter of that property. This added 1590 feet to the replacement.

Project 1317618 installed a total of 6743 feet of pipe while retiring a total of 7883 feet of pipe consisting of 2079 feet of cast iron, 1885 feet of bare steel and 3919 feet of non-priority sections. Columbia abandoned 814 feet of non-priority pipe that was no longer needed for system integrity or to supply customers. It was also more cost effective to replace the other non-priority sections rather

than tie-in and uprate those sections that were interspersed sporadically within the replacement area.

Project 1318604 installed a total of 11,820 feet of pipe while retiring a total of 12,736 feet of pipe consisting of 6948 feet of bare steel, 616 feet of cast iron and 5172 feet of non-priority pipe sections. It was considered more cost effective to replace the non-priority sections rather than tie-in and uprate those sections that were interspersed sporadically within the replacement area.

Project 1528791 required the installation of 783 feet of 12" steel and the retirement of 12" bare steel to eliminate an un-repairable leak of pipe in a creek. There was a high-pressure service tap off the 12" line that extended over a mile that served a two meter manifold. In order to maintain service to those two customers, it was shorter and less expensive to extend 2117 feet off another system to serve them.

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4. Refer to Columbia's response to Staff's First Request, Item 2, the third page of Attachment A. The installed footage shown for Project 1210307 is 5,200 feet.

Explain the circumstances giving rise to this project, which was not included in the 2015 AMRP projection.

a. Confirm that this is appropriately considered a replacement project in accordance with Columbia's approved AMRP, and explain how it was determined to be eligible for AMRP recovery, given that the attachment includes no Priority Pipe Replacement footage for this project.

Response:

Columbia has an ineffectively coated 4" steel medium pressure line attached to the bridge over the Kentucky River near Taylor Avenue. The protective wrap had become disbonded and required replacement. Additionally, the Commonwealth had indicated its intention to remove the bridge sometime in the

future. To eliminate the problem pipe on the bridge and other bare steel in the area, Columbia brought a new source of medium pressure gas into the area from Thomas Place.

No priority pipe is indicated because this project has not been closed out in Columbia's work management system yet. Though the new pipe was placed in service on December 21, 2015, the service replacements are not expected to be complete until May 28, 2016. Once this project is closed out in WMS, Columbia will retire 1,947 feet of priority pipe including the pipe on the bridge.

Columbia considers this project eligible for the approved AMRP program because it will retire bare steel pipe and ineffectively coated steel pipe.

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5. Refer to Columbia's response to Staff's First Request, Item 2, the third page of Attachment A. The installed footage for Project 1425492 is 1 foot.

a. Explain the circumstances giving rise to this project, which was not included in the 2015 AMRP projection.

b. Confirm that this is appropriately considered a replacement project in accordance with Columbia's approved AMRP, and explain how it was determined to be eligible for AMRP recovery, given that the attachment includes no Priority Pipe Replacement footage for this project.

c. Explain why it cost approximately \$25,000 to replace 1 foot of pipe.

Response:

a. The intent of Project 1425492 was to cut in a plastic insulated fitting used to isolate a cathodically protected bare steel portion of Columbia's system from a cathodically protected coated steel portion to prevent the bare steel from adversely affecting the cathodic protection system of the coated pipeline.

- b. Further review of the execution details of this project indicates the install quantity was 1 foot of plastic and the retirement quantity was 5 feet of bare steel. Because Columbia retired bare steel pipe, this was considered eligible for Columbia's AMRP recovery.
- c. The primary cost driver for this project was that its length fell below the 200 foot minimum length where unitized rates may be utilized for Columbia's blanket contractors. Consequently, Columbia paid hourly rates for contractor labor and equipment. The project took 49 hours to complete, and the two most significant cost items were \$11,562 for the three man contract crew and \$2,244 for traffic control. Other minor contract items totaled \$2,398.

Though only 1 foot of pipe was installed, a number of fittings, clamps and a bypass had to be installed to fit the 3" pipe to the 4" pipe and maintain service to the customers in the area. It should be noted that the project was placed in service in 2015, but \$1,634 of materials and other minor costs occurred in 2014 so the total project cost was \$26,356, though only \$24,722 occurred in 2015. A detail of the total project costs is shown below.

Item	Total Cost
Material	\$1,154
Contract Labor	\$16,204
Company Labor	\$3,900
Other Costs	\$296
AFUDC	\$71
Construction Overheads	\$4,731
Total	\$26,356

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6. Refer to Case No. 2009-00141, the Direct Testimony of David Mueller ("Mueller Testimony"), page 8, which indicates that Columbia plans to replace all AMRP-eligible mains, service lines, and associated appurtenances over a span of approximately 30 years, beginning in 2008, and estimates the total program will cost approximately \$210 million. State whether Columbia believes that those initial projections continue to be accurate. If not, state the year that Columbia projects its replacement of priority pipe, services, and appurtenances through the program will be complete, and provide an update of the projected cost.

Response:

Columbia believes that its initial projection for the completion date continues to be accurate; however, Columbia has experienced significant cost pressures from increased contract costs and additional paving requirements on these projects which may eventually impact the original cost estimate. Determining whether the original cost estimate remains appropriate will require a study that has not been conducted yet.

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7. Refer to Case No. 2009-00141, Mueller Testimony, page 8, which lists the types of mains to be replaced in Columbia's AMRP as unprotected bare steel, cathodically protected bare steel, cathodically un-protected coated steel, ineffectively coated steel and cast iron. Identify any main replacements shown in Columbia's response to Staff's First Request, Item 2, Attachment A, that involved the replacement of pipe that was not composed of the previously mentioned steel or cast iron, and explain why the investment was deemed to be appropriate for recovery through the AMRP.

Response:

There are no projects included in the attachment that did not, or will not when completely closed out, retire pipe in one of the five categories identified above. Short segments of non-priority pipe are included in the overall project retirements where it was not cost effective to tie-in and uprate the pipe.