COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT IN RATES	))	CASE NO. 2016-00162

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and five copies in paper medium and an electronic version of the following information. The information requested herein is due on or before August 19, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or 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 which indicates 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 or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. 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 filing a document containing personal information, Columbia shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the response to Commission Staff's First Request for Information ("Staff's First Request"), Item 48.a.(10). State whether franchise fees paid to local jurisdictions appear as a separate line item on the monthly bills of customers in those jurisdictions. If the answer is no, explain the reason(s) why and where the franchise fee amount is included.

2. Refer to the response to Staff's First Request, Item 55, Attachment C.

a. Provide the amount of rate case expense estimated by Columbia for its 2013 rate case and the amount of actual rate case expense incurred by Columbia for its 2013 rate case for all categories included in the attachment.

b. For each category in the attachment, explain how the amount of expense for the instant case was estimated.

3. Refer to the response to Staff's Second Request for Information ("Staff's Second Request"), Item 3.c.

a. Total revenues in the column headed "Most Recent 2017 Forecast Year Data" for the 15 customers with annual usage greater than 200,000 Mcf is over $540,000 greater than the total revenues for those customers in the column headed "Application Filed_Data." Clarify whether Columbia plans to reflect that increase in revenue as a reduction in the amount of its calculated revenue requirement increase.

b. Provide an updated Schedule M reflecting the revision set out in this response. The response should include an electronic copy of all schedules impacted under this tab with the formulas intact and unprotected and all rows and columns accessible.

4. Refer to Staff's Second Request, Item 4.

a. Refer to Attachment A. Explain why actual capital expenditures for Columbia's Accelerated Main Replacement Program ("AMRP") have consistently exceeded budgeted capital expenditures during the years covered by the attachment, while actual Non-AMRP capital expenditures have consistently fallen short of budgeted amounts during that same timeframe.

b. Using Columbia's actual capital expenditures for all months that are available and Columbia's budgeted capital expenditures, including those identified in Columbia's application associated with its Distribution Integrity Management Plan, for all remaining months through the end of the test period, provide the impact on Columbia's requested rate increase. Provide all affected schedules in electronic Excel spreadsheet format, with formulas intact and cells unprotected.

5. Refer to the response to Staff's Second Request, Item 5.a. Provide a copy of the most recently completed form identified as "Figure 10-1: Periodic Program

Evaluation – Summary of DIMP Program Periodic Evaluation" in the Distribution Integrity Management Plan.

6. Refer to the response to Staff's Second Request, Item 6, regarding payroll costs.

a. Provide the impact on Columbia's proposed rate increase of a 2 percent wage increase as opposed to a 3 percent increase. Provide all affected schedules in electronic Excel spread sheet format, with formulas intact and cells unprotected.

b. Provide the impact on Columbia's proposed rate increase of a 2.5 percent wage increase as opposed to a 3 percent increase. Provide all affected schedules in electronic Excel spread sheet format, with formulas intact and cells unprotected.

c. Provide and explain Columbia's compensation policy as approved by the Board of Directors. Include in the explanation the basis of the compensation policy.

d. State when the compensation policy was last reviewed or given consideration by the Board of Directors.

e. Explain whether the expenses for wages, salaries, benefits, and other compensation during the test year, and any adjustments to the test year, are compliant with the Board of Director's compensation policy.

7. Refer to the response to Staff's Second Request, Item 6.a., and Filing Requirement 807 KAR 5:001, Section 16(8)(g), Schedule G-2, page 1 of 1. The response refers to increased headcount projections with eight full-time employees being

added between the base period and test period. Schedule G-2 shows Columbia's headcount increasing historically from 122 in 2013 to 130 in 2014 to 140 in 2015, then increasing to 150 in the base period and to 158 in the test period, calendar year 2017. Provide a detailed explanation for the headcount increasing from 122 in 2013 to 150 in the base period, an increase of 28, or 23 percent, over a period of less than 36 months.

8. Refer to the response to Staff's Second Request, Item 8, Attachments A and B.

a. Confirm that the actual amounts shown in Attachment A for the months of September 2015 through February 2016 are the same amounts included in Attachment B in the base period for those same months.

b. Confirm that the actual amounts shown in Attachment A for the months of March 2016 through June 2016 are less, by $13,500 to $20,500, than the projected amounts shown in Attachment B for those same months.

c. Explain why the actual amounts for March through June of 2016 are consistently less than the projected amounts for those months by amounts equal to or greater than one-half the actual amounts.

9. Refer to the response to Staff's Second Request, Item 12. Explain the remedies available to Columbia under its current tariff to address the failure of DS customers to deliver gas to its system, and provide specific details regarding the actions taken by each Columbia affiliate that has made tariff revisions to deal with this issue.

10. Refer to the response to Staff's Second Request, Item 13.a. Provide specific details regarding the magnitude of DS customers creating excess and

insufficient imbalances on Columbia's system and the impact on Columbia and its other customers.

11. Refer to the response to Staff's Second Request, Item 16. State whether any other NiSource subsidiary company recovers the cost of replacing failed meter families through a tracker, as proposed by Columbia, rather than through base rates.

12. Refer to the response to Staff's Second Request, Item 18. State whether Columbia would be willing to consider changing its AMRP filing schedule so that it files one application per year to both establish future AMRP investment for recovery and reconcile past under/over collections of AMRP investment. For example, pursuant to Commission Order in Case No. 2015-00210,[1] Duke Energy Kentucky files its Accelerated Service Replacement Program projections for the following calendar year annually by July 1, including a reconciliation of actual and projected cost, taking into account actual revenue recovered through the surcharge during the previous calendar year. Rates become effective January 1 following the July 1 application.

13. Refer to the response to Staff's Second Request, Item 20. Explain what has changed since the referenced response in Case No. 2013-00167 with regard to Columbia's intention to provide disclosure statements and promote greater awareness of the Choice program.[2]

14. Refer to the response to Staff's Second Request, Item 25.

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[1] Case No. 2015-00210, *Application of Duke Energy Kentucky, Inc. for a Certificate of Public Convenience and Necessity Authorizing the Implementation of an Accelerated Service Line Replacement Program, Approval of Ownership of Service Lines, and a Gas Pipeline Replacement Surcharge* (Ky. PSC Feb. 2, 2016).

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

a. Confirm that, if the new training facility is not constructed in Kentucky, employees would have to travel instead to facilities like the one being built in Gahanna, Ohio, or the just opened facility near Pittsburgh, Pennsylvania.

b. Explain where new or current employees currently must travel for various training needs, such as Advanced Workforce Training.

c. Explain which of the travel expenses listed on Attachment A are currently included in base rates.

d. Explain whether Columbia identifies a portion of company labor and employee benefits as part of travel expenses in base rates.

15. Refer to the response to Staff's Second Request, Item 27.

a. Provide a breakdown by year indicating the mileage of cast and wrought iron planned to be replaced.

b. Explain how the timetable was determined for replacement of the entire 15 miles of cast and wrought iron.

16. Refer to the response to Staff's Second Request, Item 29. Columbia states, "Generally speaking, the projected O&M costs related to GPS will be held in account 923, outside services. The entire amount is incremental. It is not included in the base or forecasted periods."

a. Confirm that the projected operation and maintenance ("O&M") costs related to GPS are included in Account 923 – Outside Service Employed.

b. Explain whether the O&M costs related to GPS should be charged to Account 923 – Outside Service Employed, which is an Administrative and General

("A&G") Expense, or to Account 874 – Mains and Services Expenses and/or Account 887 – Maintenance of Mains, which are Distribution Expenses.

c. If the O&M costs should be charged to Accounts 874 and 887, provide the percentage split between the two accounts, any impact to the cost of service allocation of the projected O&M costs between customer classes, and an updated Cost of Service Study in electronic Excel spreadsheet format, with formulas intact and cells unprotected.

17. Refer to the response to Staff's Second Request, Item 37.a. Provide a similar weather normalization analysis using ten years of weather data to estimate the relative predictive value of using a shorter time period.

18. Refer to the response to Staff's Second Request, Item 38.

a. State whether the allowed Return on Equity ("ROE") shown in the table for Alabama and Missouri in the Laclede Group, Inc. are the most current, or whether they have been reduced since they were approved to earn at the levels shown.

b. The Authorized ROE column indicates that all the ROE awards granted by a state regulatory agency during 2014 and 2015 were at or below 10.25 percent. All other things being equal, state what impact this information would have on investors' expectations of Columbia's ROE award from this Commission in 2016.

19. Refer to the response to Staff's Second Request, Item 39.

a. The response references the increase in nominal Gross Domestic Product ("GDP") between 2014 and 2017.

(1) Confirm that the difference between nominal and real GDP is that real GDP removes the effect of inflation.

(2) Explain why it is more appropriate to use nominal GDP when comparing GDP of differing years instead of comparing real GDP.

(3) Provide the real GDP for years 2014 and 2015 and the forecasted real GDP for years 2016 and 2017.

b. The response references the decrease in the national unemployment rate since the last rate case. Explain whether the decrease in the unemployment rate can be overstated due to a decline in the labor participation rate and/or a decline in the number of those considered unemployed.

c. Confirm that the 2014 Kentucky Gross State Product increases of 1 percent and the 2017 forecast of 2.7 percent are based on real rather than nominal data. If not, provide the Kentucky Gross State Product changes for 2014 and 2015 and the forecast for 2016 and 2017 based on real data.

d. On July 27, 2016, the Federal Reserve ("FED") announced that, although economic risks have diminished, they are still present and interest rates would be left unchanged. Given this current status of unchanged interest rates, explain why a projected growth rate that is larger than the analysts' projected growth rate is justified.

20. Refer to the response to Staff's Second Request, Item 42.

a. Provide the publication date of the Blue Chip Financial Forecast.

b. Using the same building block approach to the development of the risk premium rate of 4.75 percent, provide an update given the July 27, 2016 FED announcement regarding no change to interest rates.

21. Provide any updates of the Moul Testimony ROE analysis resulting from more current information, for example, any updates due to the June 3, 2016 issue of The Value Line Investment Survey.

22. Refer to the responses to Staff's Second Request, Item 45, the Attorney General of the Commonwealth of Kentucky's Office of Rate Intervention First Request for Information ("AG's First Request"), Item 19.b., and to the Direct Testimony of Panpilas W. Fischer ("Fischer Testimony") at page 9 regarding Federal Net Operating Loss Accumulated Deferred Income Taxes ("NOL ADIT"). Columbia's response to Item 19.b. of the AG's Initial Request states that Columbia used the "last dollars deducted" methodology to calculate its NOL ADIT. At page 9 of the Fischer Testimony it states that deferred taxes are required to be reflected on a pro rata basis as provided under Reg. Section 1.167(l)-1(h)(6)(ii).

a. State whether these statements are consistent and, if so, provide an explanation that reconciles these statements.

b. Explain in detail what impact, if any, the NOL ADIT has on Columbia's effective income tax rates for the forecasted test year when compared to the statutory rates in effect during that timeframe.

23. Refer to the response to Staff's Second Request, Item 46. Columbia states that it does not factor its accounts receivable ("AR").

a. Explain whether Columbia sells its AR to an affiliate of NiSource.

b. If the answer to part a. is yes, provide what percentage of the AR Columbia receives.

c. If the answer to part a. is yes, explain whether Columbia considers this a form of AR financing, and if Columbia believes that this should be part of its capital structure.

24. Refer to the response to Staff's Second Request, Item 57, and the Application, Tab 51 – Filing Requirement 16(7)(u), page 6. Explain the purpose and cause of differences in 2015 compared to the January 2017 – December 2017 Forecast for each Allocation Basis in the following table:

Allocation Basis	Description	2015	January 2017 - December 2017 Forecast
	Direct Billed to CKY	$6,894,337.50	$6,810,581.59
1	Gross Fixed Assets and Total Operating Expenses	$2,367,318.29	$2,087,566.68
2	Gross Fixed Assets	$21,264.57	$13,481.03
7	Gross Depreciable Property and Total Operating Expenses	$86,042.24	$95,225.56
8	Gross Depreciable Property	$34,086.32	$6,989.85
9	Automobile Units	$6,273.43	$0.00
10	Number of Retail Customers	$2,593,218.29	$3,636,041.60
11	Number of Regular Employees	$879,499.72	$648,085.67
13	Fixed Allocations	$900,165.73	$1,062,456.44
20	Service Company Billing (Direct and Allocated) Costs	$2,930,679.41	$4,862,616.94
	NiSource Corporate Services Company ("NCSC") Overheads	$656,678.20	$743,200.02

25. Refer to the response to Staff's Second Request, Item 57.

a. The NiSource Corporate Services Company ("NCSC") amounts for July 2016 through December 2016 allocated to Columbia are estimates. Explain when the actual amounts will be available. If available now, provide an updated version of the table in the response based on the actual amounts for July through December of 2016.

b. Identify and describe in detail the factors which cause the amount for "Basis 20" to increase from $3.8 million in 2016 to over $4.8 million in the test period.

26. Refer to the response to Staff's Second Request, Item 61.a.

a. Explain why the test period includes only $515,000 of unbilled revenues when the base period includes $3,624,000.

b. Identify the types of off-system sales that make up the base period off-system sales revenue of $5,681,683 and provide a breakdown of that amount by type of off-system sale.

c. Clarify how Columbia treats off-system sales incentive revenue in its Purchased Gas Adjustment filings.

27. Refer to the response to Staff's Second Request, Item 62, Attachment A – Employee Fringe Benefits. By defined employee benefit program, explain whether there is an employee contribution, and if so, provide the percentage of contribution.

28. Refer to the response to Staff's Second Request, Item 62, Attachment D – Clearing Accounts Costs Cleared to O&M – Vehicle Costs Cleared.

a. Explain whether any of the vehicle costs cleared are charged to capital accounts. If so, provide the account and amount.

b. Provide the year, make, model, type or kind of each vehicle, the value of each vehicle, and assigned hourly rate for each vehicle or class of vehicle for which costs are being cleared to O&M.

c. Explain whether the vehicle(s) are owned or leased.

d. If owned, provide the depreciable life of the vehicle(s) and depreciation rate(s).

e. If the vehicles are leased, explain the type of lease agreement.[3]

f. Assuming the vehicles are leased, provide the year, make, model, type or kind of each vehicle, the leased value of each vehicle, the term of the lease for each vehicle, and assigned hourly rate for each vehicle or class of vehicle for which costs are being cleared to O&M.

29. Refer to the response to Staff's Second Request, Item 62, Attachment D – Clearing Accounts Costs Cleared to O&M – General Tools Costs Cleared.

a. Explain whether any of the general tools costs cleared are charged to capital accounts. If so, provide the account and amount.

b. By general tool, provide the year, make, model, type or kind of each, the value of each, and assigned hourly rate for each for which costs are being cleared to O&M.

c. Explain whether the general tools are owned or leased.

d. If owned, provide the depreciable life of the general tools and depreciation rate.

[3] Columbia's response to Staff's First Request, Item 22, states that Columbia does not have any capitalized leases.

e. If the general tools are leased, explain the type of lease agreement.[4]

f. Assuming the general tools are leased, provide the year, make, model, type or kind of each, the leased value of each, the term of the lease for each, and assigned hourly rate for each general tool for which costs are being cleared to O&M.

30. Refer to the response to Staff's Second Request, Item 64.b. Explain whether the $96,003.10 adjustment for employee training hours required for the Advanced Workforce Training is a part of the employee's normal salary or wage. If so, explain whether this type of cost is currently part of the salaries and wages component in base rates.

31. Refer to the response to Staff's Second Request, Item 67, Attachment A.

a. Explain the purpose of and types of transactions in Account 14610000 – Money Pool Deposits.

b. Explain the purpose of and types of transactions in Account 14620000 – Foreign Cash, and why the beginning balance is positive and the ending balance is negative.

c. There is a $90,458.36 balance in Account 15400000 – Plant Materials – Oth Supplies, but there is no Account 163 – Stores Expense Undistributed listed in the trial balance. If there are storeroom costs applicable to handling material and supplies, explain how those costs are allocated based on the activity in Account 1540000, and to what accounts and in what amounts those costs were allocated for 2015.

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[4] *Id.*

32. Refer to the response to Staff's Second Request, Item 67, Attachment B.

a. Explain why there is no Account 14610000 shown as of June 30, 2016.

b. Explain the purpose of and types of transactions in Account 14620000 – Foreign Cash, and why the beginning balance is negative and remained so as of June 30, 2016.

c. There is a $90,010.06 balance in Account 15400000 – Plant Materials – Oth Supplies, but there is no Account 163 – Stores Expense Undistributed listed in the trial balance. If there are storeroom costs applicable to the handling of material and supplies, explain how those costs are allocated based on the activity in Account 1540000, and to what accounts and in what amount those costs were allocated for year-to-date June 30, 2016.

33. Refer to the response to AG's First Request, Item 3, regarding costs in excess of $1.5 million to address leak repairs to Columbia's system during the forecasted period.

a. Confirm that Columbia's estimated leak repair cost of $1.5 million includes the $945,163.09 of costs included in base rates for the forecasted test period.

b. Explain how Columbia identifies which costs should be recovered in base rates in Accounts 887 and 892 and those which should be recovered in its proposed AMRP in the forecasted test period.

34. Refer to the response to AG's First Request, Item 7, regarding property tax expense.

a. Confirm the period for the Kentucky property taxes paid was calendar year 2015. If not, provide the actual amount of 2015 property taxes paid, the actual assessment and the effective tax rate.

b. Explain how the 1.5 percent inflation factor used in calculating the 2016 and 2017 effective tax rate was determined.

35. Refer to the responses to the AG's First Request, Item 13, Attachment A.

a. Provide a similar schedule of Columbia's depreciation expense for the forecasted test period using the proposed annual accrual rates.

b. Provide a similar schedule of Columbia's depreciation expense for the forecasted test period using the current annual accrual rates.

c. Provide a similar schedule of Columbia's depreciation expense for the forecasted test period using the annual accrual rates based on the Average Service Life procedure.

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DATED AUG 05 2016

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