

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on November 1, 2016 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on November 1, 2016 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on November 1, 2016.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at http://psc.ky.gov/av_broadcast/2016-00162/2016-00162_01Nov16_Inter.aspx. Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 3rd day of November 2016.

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CERTIFICATE


We, Pamela Hughes and Stephanie Schweighardt , hereby certify that

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceedings on November 1, 2016. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on November 1, 2016.
2. We are responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of November 1, 2016.
4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of November 1, 2016.
5. The Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Hearing of November 1, 2016, and the time at which each occurred.

Given this 2nd day of November, 2016.


Pamela Hughes, Notary Public
State at Large

My commission expires: April 22, 2019


Stephanie Schweighardt, Notary Public
State at Large

My commission expires: Jan. 4, 2019



Session Report - Detail

2016-00162_01Nov2016

Columbia Gas of Kentucky, Inc.

Date:	Type:	Location:	Department:
11/1/2016	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Judge: Bob Cicero; Dan Logsdon; Test Ony; Michael Schmitt

Witness: Kimra H Cole; Judy M Cooper; Danny C Cote; Jana T Croom; Herbert A Miller; Brian T Noel

Clerk: Pam Hughes

Event Time	Log Event
8:44:49 AM	Session Started
8:44:52 AM	Session Paused
8:59:20 AM	Session Resumed
8:59:23 AM	Chairman Schmitt Note: Hughes, Pam Preliminary remarks and introductions of Commissioners.
9:00:19 AM	Introductions Note: Hughes, Pam Attorneys- Columbia Gas- Brooke E. Wanacheck, Richard Taylor, Lindsay Ingram - LFUCG -Andrea Brown - AG- Kent Chandler & Angela Goad - PSC Staff - Virginia Gregg and Molly Katen. CAC- Iris Skidmore Note: Hughes, Pam No one present to represent KIUC
9:02:57 AM	Chairman Schmitt asks for Public Comments Note: Hughes, Pam George Arvin Columbia Gas customer makes comments and hands out a paper concerning the stipulation and settlement agreement. (Public comment-Exhibit 1)
9:04:12 AM	Camera Lock PTZ Activated
9:27:09 AM	Chairman Schmitt calls for any other public comment. Note: Hughes, Pam No other comment
9:27:11 AM	Camera Lock Deactivated
9:27:56 AM	Chairman Schmitt Note: Hughes, Pam David Boehm with KIUC enters
9:28:27 AM	Chairman Schmitt asks for any outstanding confidentiality matters. Note: Hughes, Pam No outstanding motions
9:28:55 AM	Chairman Schmitt asks about Public Notice Note: Hughes, Pam Atty. Wanacheck states that public notice has been given of hearing, except one newspaper. Deviation granted
9:29:57 AM	Chairman Schmitt Note: Hughes, Pam Asks for documents and exhibits. No objections to any exhibits
9:30:33 AM	Atty- Andrea Brown with LFUCG Note: Hughes, Pam Certification of Action and Resolution filed into the record as LFUCG exhibit 1
9:31:34 AM	Atty Gregg-PSC Note: Hughes, Pam Hands out PSC exhibit 1-Regulatory Research Focus
9:33:37 AM	Atty. Wanacheck-Columbia Gas Note: Hughes, Pam States that there may not be anyone here to speak to any objections to PSC exhibit 1. No objections at this time. (Chairman states exhibit 2)
9:34:02 AM	Camera Lock Applicant Activated
9:34:14 AM	Camera Lock Deactivated
9:35:00 AM	Atty Wanecheck calls Herbert Miller to the stand. Note: Hughes, Pam President of Columbia Gas of Kentucky, Inc.
9:35:07 AM	Camera Lock Applicant Activated
9:35:16 AM	Chairman Schmitt swears in Witness Miller

9:35:17 AM	Camera Lock Deactivated	
9:35:38 AM	Atty Wanecheck-Columbia Gas direct exam of Witness Miller	
	Note: Hughes, Pam	No changes to testimony
9:36:27 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Questions regarding the RRA report
	Note: Hughes, Pam	Exhibit 2 (PSC exhibit 1)
9:39:10 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Regarding previous approvals of the Commission being bound by it's previous decisions.
9:41:05 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Post hearing DR-could Columbia provide this information
9:41:30 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Regarding \$14 million increase
	Note: Hughes, Pam	How will this money be allocated among the different rate classes.
9:42:19 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Regarding Tariff sheet 38 in proposed settlement. Delivery service with addt'l block.
9:43:44 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Regarding Mr. Miles rebuttal testimony. Page 9. Last sentence on page 9 starting with line 19.
	Note: Hughes, Pam	test year 2017, dividend payments. Not a plan to issue dividends but reserves right to maintain those dividends if it needs to do so.
9:47:03 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Mr. Miller's direct testimony - Page 9. Reference to Item 5, referring to the O&M expenses in tariff rider AMRP
9:49:10 AM	Atty Gregg-PSC cross-exam of Witness Miller	
	Note: Hughes, Pam	Settlement proposal, page 3. Item 2. First sentence.
	Note: Hughes, Pam	Replacing the pipe and repairing. Not included in the AMRP rider in it's tariff.
9:51:43 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Since 2015 added many employees.
	Note: Hughes, Pam	What has occurred in the last 18 months to cause huge increase in staffing?
10:02:38 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Regarding forecast projection going forward of employees, Rate of increase of hiring and why Columbia thought it necessary.
10:06:21 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Regarding allocations in corporate office. Increases in building rent.
10:06:29 AM	Camera Lock PTZ Activated	
10:08:20 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Strategic O&M, operating expenses of the GPS system.
10:11:01 AM	Camera Lock Deactivated	
10:11:15 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Auditing services expenses.
10:11:44 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Regarding Service agreement with NiSource. How the calculations were made?
10:12:40 AM	Vice Chairman Cicero cross exam of Witness Miller	
	Note: Hughes, Pam	Regarding dividends. What has been the practice over the past 5 years to NiSource.
10:12:45 AM	Camera Lock PTZ Activated	
10:13:09 AM	Camera Lock Deactivated	
10:13:58 AM	Commissioner Logsdon cross exam of Witness Miller	
	Note: Hughes, Pam	Regarding safety concerns about Aldyl-A plastic pipe.
10:14:12 AM	Camera Lock PTZ Activated	

10:14:43 AM Camera Lock Deactivated

10:18:26 AM Camera Lock PTZ Activated

10:18:30 AM Commissioner Logsdon cross exam of Witness Miller
Note: Hughes, Pam Questions regarding the AMRP resetting to zero.

10:18:38 AM Camera Lock Deactivated

10:20:45 AM Commissioner Logsdon cross exam of Witness Miller
Note: Hughes, Pam In Mr. Miller's testimony, regarding acquisition.

10:21:15 AM Chairman Schmitt cross exam of Witness Miller
Note: Hughes, Pam Regarding installation of new pipe.
Note: Hughes, Pam Regarding time frame of using GPS system of finding the pipe.

10:23:06 AM Chairman Schmitt cross exam of Witness Miller
Note: Hughes, Pam Regarding number of employees, statement of wave hiring.

10:26:41 AM Witness Miller excused from the stand.

10:27:09 AM Session Paused

10:27:21 AM Change Clerk
Note: Hughes, Pam Stephanie Schweighardt took over as clerk for entirety of hearing.

10:37:20 AM Session Resumed

10:37:24 AM Witness Noel is called to the stand
Note: Hughes, Pam Witness Noel is sworn in by Chairman Schmitt
Note: Hughes, Pam Witness Noel - Director of Operations Budgets for NiSource

10:38:01 AM Atty Wanachek direct exam of Witness Noel
Note: Hughes, Pam Adopts testimony with no changes

10:38:46 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding filing requirement #16-7-U (I-4)

10:40:14 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding definition of allocations

10:40:58 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Provide a post-hearing data request of allocations

10:41:29 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding direct billing of increase on last sheet of Filing Requirement document.

10:43:16 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding cost allocation manual. Provide post-hearing of data request of manual information.

10:43:54 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding transfer of employees

10:45:26 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding transfer of affiliated companies

10:46:00 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding cost of test year in addition to cost reference year of the transfer.

10:47:04 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Regarding page 2 of rebuttal testimony, line 8 thru 12.

10:47:51 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Provide post-hearing data request of information and projected level for the calendar 2017 test period labor and related costs and number of NCSC.

10:49:44 AM Atty Katen cross exam of Witness Noel
Note: Hughes, Pam Explain impact, if any, the smaller increase will have on NCSC services for Columbia.

10:50:55 AM Vice Chairman Cicero cross exam of Witness Noel
Note: Hughes, Pam Provide post-hearing data request of calculations for allocation for 2012-2015 and 2016.

10:52:09 AM Vice Chairman Cicero cross exam of Witness Noel
Note: Hughes, Pam Direct billing cost increase provided in post data hearing request.

10:53:43 AM Vice Chairman Cicero cross exam of Witness Noel
Note: Hughes, Pam Familiar with depreciation. Witness referred questioning to another Witness.
Note: Hughes, Pam post data hearing request

10:54:45 AM Commissioner Logsdon cross exam of Witness Noel
Note: Hughes, Pam Regarding wage increase.

10:55:49 AM Commissioner Logsdon cross exam of Witness Noel
Note: Hughes, Pam Regarding building rent.

10:58:02 AM Vice Chairman Cicero cross exam of Witness Noel
Note: Hughes, Pam Provide detail of allocation in post hearing data request.

10:59:17 AM Atty Wanachek
Note: Hughes, Pam Inquires to PSC Staff regarding basis of allocation and types of cost for other services billed to Columbia

11:00:27 AM Witness Noel excused from stand

11:00:47 AM Witness Kimra Cole takes the stand
Note: Hughes, Pam Sworn in by Chairman Schmitt - Vice Chairman and general Manager for Columbia.

11:01:42 AM Atty Wanachek direct exam of Witness Cole
Note: Hughes, Pam Adopts testimony without changes

11:02:09 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding Page 4 of rebuttal testimony.
Note: Hughes, Pam Asks for exact head count. Witness states that all positions have been filled.

11:03:57 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Provide post-hearing data request of postions and position that have been filled.

11:04:39 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding page 4 and 5 of rebuttal. Wave hiring of employees.

11:12:04 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Provide in post hearing data request amount of overtime cost for base year

11:12:42 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding overall impact of staff hired

11:13:22 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding Mr. Collins testimony
Note: Hughes, Pam Regarding page 3 of rebuttal

11:14:59 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding MDT updated and life expectancy

11:16:05 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding employees of the wave hiring and if they are field operations employees.

11:17:19 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding GPS System in direct testimony and legacy system

11:18:28 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding pre GPS and facilities located now.

11:19:59 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding testimony on page 3, DIMP Plan

11:22:17 AM Atty Gregg cross exam of Witness Cole
Note: Hughes, Pam Regarding Testimony and crossbores risks.

11:24:08 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Regarding 2012-2015 increase of field workforce staff

11:25:26 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Regarding number of wave hirings so far.

11:26:42 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Provide average age of workforce.

11:28:17 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Provide age and overall field in workforce in post data hearing request.

11:28:56 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Regarding reduction in contract crews

11:30:26 AM Vice Chairman Cicero cross exam of Witness Cole
Note: Hughes, Pam Regarding projection going into the future of field employees.

11:32:01 AM Commission Logsdon cross exam of Witness Cole
Note: Hughes, Pam Regarding excavation damages and cost

11:33:47 AM Commissioner Logsdon cross exam of Witness Cole
Note: Hughes, Pam Regarding number of employees in wave hiring and reduction in overtime
Note: Hughes, Pam Explanation of training process of employees in wave hiring.

11:33:56 AM Camera Lock PTZ Activated

11:34:07 AM Camera Lock Deactivated

11:36:35 AM Commissioner Logsdon cross exam of Witness Cole
Note: Hughes, Pam Regarding maps and locating facilities

11:38:53 AM Witness Cole is excused from stand

11:39:08 AM Chairman calls Witness Cote to stand
Note: Hughes, Pam Sworn in by Chairman Schmitt

11:39:46 AM Atty Wanachek direct exam of Witness Cote
Note: Hughes, Pam Witness Danny Cote, Vice President of Pipeline Safety and Compliance for NiSource. Adopts testimony without changes.

11:40:44 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding Rebuttal Testimony
Note: Hughes, Pam Regarding GPS system to locate pipe.

11:46:49 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding page 1 of Rebuttal Tetimony, DIMP requirments since 2011

11:51:25 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding what point Columbia realized the proposed strategic O&M initiatives were necessary

11:53:15 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding Mr. Kollen stating Columbia complies with DIMP requirements.

11:54:24 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding Columbia's plan to the strategic O&M initiatives

11:55:35 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding new training methods and cost

11:59:00 AM Atty Katen cross exam of Witness Cote
Note: Hughes, Pam Regarding withdrawing case # 16-334 for a CPCN to build training facility.

12:02:09 PM Vice Chairman Cicero cross exam of Witness Cote
Note: Hughes, Pam Regarding \$770,000 GPS request

12:06:30 PM Commissioner Logsdon cross exam of Witness Cote
Note: Hughes, Pam Regarding optimane computer system

12:13:05 PM Commissioner Logsdon cross exam of Witness Cote
Note: Hughes, Pam Regarding cross-bores across state

12:14:19 PM Witness Cote excused from stand

12:14:33 PM Chairman Schmitt requested counsel to approach the bench
Note: Hughes, Pam Counsel agreed to take a short break instead of a lunch break

12:15:47 PM Chairman Schmitt
Note: Hughes, Pam Take 15 - 20mins break

12:16:10 PM Session Paused

12:34:53 PM Session Resumed

12:34:55 PM Chairman Schmitt calls Jana Croom to the stand
Note: Hughes, Pam Director of Regulatory Affairs Columbia Gas
Note: Hughes, Pam Sworn in by Chairman Schmitt

12:35:46 PM Atty Wanachek
Note: Hughes, Pam Adopts testimony, without changes

12:36:11 PM Atty Greg cross exam Witness Croom
Note: Hughes, Pam Regarding Rebuttal testimony of increase in labor cost

12:37:35 PM Atty Greg cross exam Witness Croom
Note: Hughes, Pam Post hearing DR on specifics of overtime changes

12:38:06 PM Witness Croom excused from stand

12:38:16 PM Witness Judy Cooper takes stand
Note: Hughes, Pam Witness Judy M Cooper, Director of Regulatory Affairs
Note: Hughes, Pam Sworn in by Chairman Schmitt

12:38:35 PM Atty Wanachek direct exam to Witness Cooper
Note: Hughes, Pam Adopts testimony with no changes

12:38:54 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding direct testimony, pages 6 & 7, sheet number 89, 91 and 92 of tariff

12:40:35 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Referencing increase and delivery points.

12:41:01 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding Testimony, page 8. Delivery Service.

12:42:58 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding penalties and restrictions to return to delivery services

12:44:17 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Tariff provisions for balancing and penalties
Note: Hughes, Pam Problems arising as a result.

12:49:38 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding problems arising with delivery service and sales service customers

12:50:10 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding testimony, pages 8-10 cash out provisions for delivery service customers.

12:51:37 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Explain why it would be more reasonable to be cashed out.

12:52:32 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding any party raised issues regarding changes to DS tariff.

12:54:11 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding PSC Staff third request for information
Note: Hughes, Pam Regarding PSC Staff first request to item 48.
Note: Hughes, Pam Supply post hearing data request

12:55:45 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding agreement to withdraw its proposal to add first generation plastic pipe

12:56:22 PM Atty Katen cross exam Witness Cooper
Note: Hughes, Pam Regarding Commission Staff request item 5.c

12:57:01 PM	Atty Katen cross exam Witness Cooper Note: Hughes, Pam	Provide post hearing data request capital structure and long term short term cost, Provide schedule showing all capital cost and structure.
12:58:04 PM	Vice Chairman Cicero cross exam Witness Cooper Note: Hughes, Pam	Regarding past and future settlements
12:58:58 PM	Witness Cooper excused from stand	
12:59:12 PM	Chairman Schmitt ask for outstanding motions	
12:59:29 PM	Atty Wanachek moves for decision Note: Hughes, Pam	Chairman Schmitt states decision will be made after post hearing data request
1:00:22 PM	Post hearing data request Note: Hughes, Pam	Atty Wanachek request data request in writing, Chairman Schmitt gives date of November 4 for PSC Staff, Columbia to answer by November 11.
1:02:30 PM	Chairman Schmitt Note: Hughes, Pam Note: Hughes, Pam	All Attorneys swear and take oath that they took part and signed settlement with no objections, All Attorneys stand to take oath on settlement. Andrea Brown LFCGU took oath off record to Chairman Schmitt.
1:03:31 PM	Chairman Schmitt adjourned hearing	
1:03:32 PM	Camera Lock PTZ Activated	
1:04:34 PM	Session Paused	
1:23:53 PM	Session Ended	



Exhibit List Report

2016-00162_01Nov2016

Columbia Gas of Kentucky, Inc.

Name:	Description:
LFUCG Exhibit 01	Certification and Resoultion of Settlement
PSC Exhibit 01	Regulatory Research Associates, Regulatory Focus
PSC Exhibit 02	Certification of Attorney Andrea Brown, LFUCG, sworn oath.
Public Comment Exhibit 01	Goerge Arvin, Customer of Columbia Gas. His document referring to the Stipulation.

CERTIFICATION

I, Martha Allen, Clerk of the Urban County Council, do hereby certify that the foregoing is a true and correct copy of Resolution No. 647-2016, passed at a meeting of the Lexington-Fayette Urban County Council held on October 27, 2016.

Given under my hand and Seal of the Lexington-Fayette Urban County Government this 28th Day of October, 2016.


Clerk of the Urban County Council

RESOLUTION NO. 647 -2016

A RESOLUTION AUTHORIZING THE DEPARTMENT OF LAW'S EXECUTION, ON BEHALF OF THE URBAN COUNTY GOVERNMENT, OF A UNANIMOUS STIPULATION AND RECOMMENDATION (SETTLEMENT AGREEMENT), AND ANY OTHER NECESSARY RELATED DOCUMENTS, IN KENTUCKY PUBLIC SERVICE COMMISSION CASE NO. 2016-00162, PERTAINING TO THE RATES OF COLUMBIA GAS OF KENTUCKY, INC., WHICH SETTLEMENT IS SUBJECT TO THE APPROVAL OF THE KENTUCKY PUBLIC SERVICE COMMISSION.

BE IT RESOLVED BY THE COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

Section 1 - That the Department of Law, on behalf of the Lexington-Fayette Urban County Government, be and hereby is authorized to execute the unanimous Stipulation and Recommendation (Settlement Agreement), and any other necessary related documents, in Kentucky Public Service Commission Case No. 2016-00162, pertaining to the rates of Columbia Gas of Kentucky, Inc., which settlement is subject to the approval of the Kentucky Public Service Commission.

Section 2 - That this Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL: October 27, 2016

MAYOR



ATTEST:


CLERK OF URBAN COUNTY COUNCIL

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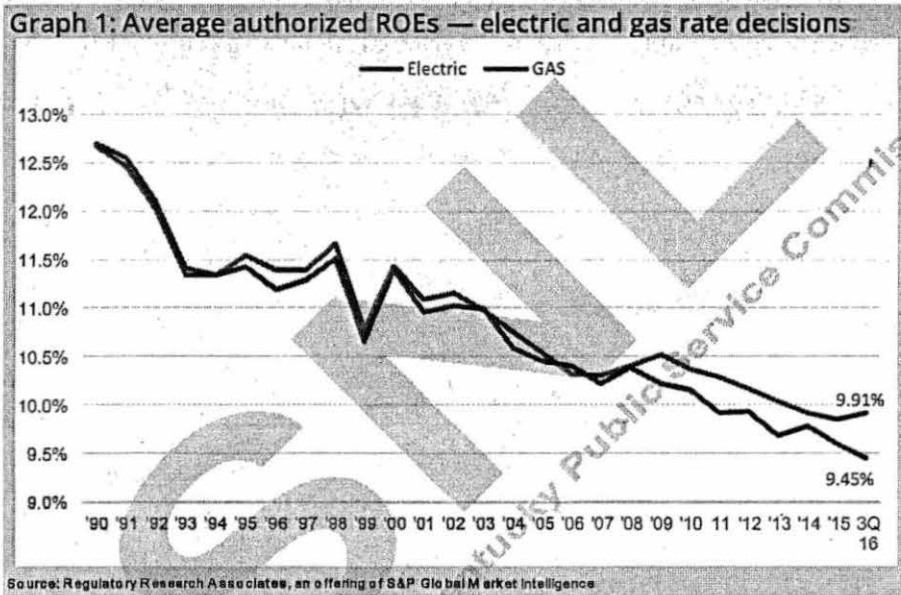
REGULATORY FOCUS

RRA is an offering of S&P Global Market Intelligence

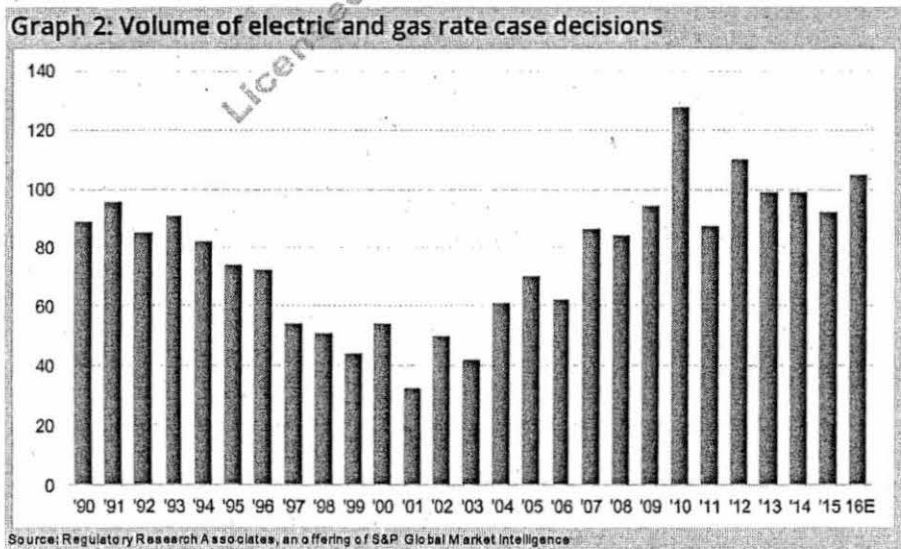
October 14, 2016

MAJOR RATE CASE DECISIONS — JANUARY-SEPTEMBER 2016

The average ROE authorized electric utilities was 9.91% in rate cases decided in the first three quarters of 2016, compared to 9.85% in 2015. There were 24 electric ROE determinations in the first nine months of 2016, versus 30 in all of 2015. This data includes several limited issue rider cases; excluding these cases from the data, the average authorized ROE was 9.64% in rate cases decided in the first nine months of 2016 versus 9.6% in 2015. RRA notes that this differential in electric authorized ROEs is largely driven by Virginia statutes that authorize the State Corporation Commission to approve ROE premiums of up to 200 basis points for certain generation projects (see the Virginia Commission Profile). The average ROE authorized gas utilities was 9.45% in the first three quarters of 2016 versus 9.6% in all of 2015. There were 16 gas cases that included an ROE determination in the first nine months of 2016, the same as in full-year 2015.

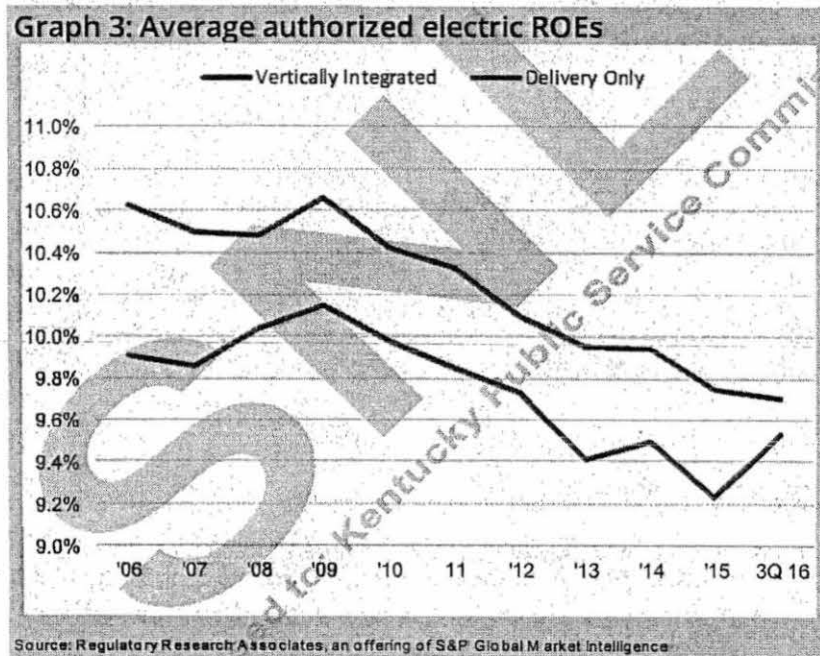


As shown in Graph 2 below, after reaching a low in the early-2000s, the number of rate case decisions for energy companies has generally increased over the last several years, peaking in 2010 at more than 125 cases.



Since 2010, the number of rate cases has moderated somewhat but has approximated 90 or more in the last five calendar years. There were 92 electric and gas rate cases resolved in 2015, 99 in both 2014 and 2013, 110 in 2012 and 87 in 2011, and this level of rate case activity remains robust compared to the late 1990s/early 2000s. Increased costs associated with environmental compliance, including possible CO₂ reduction mandates, generation and delivery infrastructure upgrades and expansion, renewable generation mandates and employee benefits argue for the continuation of an active rate case agenda over the next few years. In addition, if the Federal Reserve continues its policy initiated in December 2015 to gradually raise the federal funds rate, utilities eventually would face higher capital costs and would need to initiate rate cases to reflect the higher capital costs in rates. However, the magnitude and pace of any additional Federal Reserve action to raise the federal funds rate is quite uncertain.

Included in tables on pages 6 and 7 of this report are comparisons, since 2006, of average authorized ROEs by settled versus fully litigated cases, general rate cases versus limited issues rider proceedings and vertically integrated cases versus delivery only cases. For both electric and gas cases, no pattern exists in average annual authorized ROEs in cases that were settled versus those that were fully litigated. In some years, the average authorized ROE was higher for fully litigated cases and in others it was higher for settled cases. Regarding electric cases that involve limited issue riders, over the last several years the annual average authorized ROEs in these cases was typically at least 100 basis points higher than in general rate cases, driven by the ROE premiums authorized in Virginia. Limited issue rider cases in which an ROE is determined have had extremely limited use in the gas industry. Comparing electric vertically integrated cases versus delivery only proceedings, RRA finds that the annual average authorized ROEs in vertically integrated cases are from roughly 40 to 70 basis points higher than in delivery only cases, arguably reflecting the increased risk associated with generation assets.



We note that this report utilizes the simple mean for the return averages. In addition, the average equity returns indicated in this report reflect the cases decided in the specified time periods and are not necessarily representative of the returns actually earned by utilities industry wide.

As a result of electric industry restructuring, certain states unbundled electric rates and implemented retail competition for generation. Commissions in those states now have jurisdiction only over the revenue requirement and return parameters for delivery operations, which we footnote in our chronology beginning on page 8, thus complicating historical data comparability. We note that since 2008, interest rates declined significantly, and average authorized ROEs have declined modestly. We also note the increased utilization of limited issue rider proceedings that allow utilities to recover certain costs outside of a general rate case and typically incorporate previously-determined return parameters.

The table on page 4 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2012, followed by the number of observations in each period. The tables on page 5 indicate the composite electric and gas industry data for all major cases summarized annually since 2002 and by quarter for the past seven quarters. The individual electric and gas cases decided in the first nine months of 2016 are listed on pages 8-12, with the decision date shown first, followed by the company name, the abbreviation

for the state issuing the decision, the authorized rate of return, or ROR, ROE, and percentage of common equity in the adopted capital structure. Next we indicate the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study.

Please Note: Historical data provided in this report may not match data provided on RRA's website due to certain differences in presentation, including the treatment of cases that were withdrawn or dismissed.

Dennis Sperduto

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Average Equity Returns Authorized January 1990 - September 2016

Year	Period	Electric Utilities		Gas Utilities	
		ROE %	(# Cases)	ROE %	(# Cases)
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
2005	Full Year	10.54	(29)	10.46	(26)
2006	Full Year	10.32	(26)	10.40	(15)
2007	Full Year	10.30	(38)	10.22	(35)
2008	Full Year	10.41	(37)	10.39	(32)
2009	Full Year	10.52	(40)	10.22	(30)
2010	Full Year	10.37	(61)	10.15	(39)
2011	Full Year	10.29	(42)	9.92	(16)
	1st Quarter	10.84	(12)	9.63	(5)
	2nd Quarter	9.92	(13)	9.83	(8)
	3rd Quarter	9.78	(8)	9.75	(1)
	4th Quarter	10.10	(25)	10.07	(21)
2012	Full Year	10.17	(58)	9.94	(35)
	1st Quarter	10.28	(14)	9.57	(3)
	2nd Quarter	9.84	(7)	9.47	(6)
	3rd Quarter	10.06	(7)	9.60	(1)
	4th Quarter	9.91	(21)	9.83	(11)
2013	Full Year	10.03	(49)	9.68	(21)
	1st Quarter	10.23	(8)	9.54	(6)
	2nd Quarter	9.83	(5)	9.84	(8)
	3rd Quarter	9.87	(12)	9.45	(6)
	4th Quarter	9.78	(13)	10.28	(6)
2014	Full Year	9.91	(38)	9.78	(26)
	1st Quarter	10.37	(9)	9.47	(3)
	2nd Quarter	9.73	(7)	9.43	(3)
	3rd Quarter	9.40	(2)	9.75	(1)
	4th Quarter	9.62	(12)	9.68	(9)
2015	Full Year	9.85	(30)	9.60	(16)
	1st Quarter	10.29	(9)	9.48	(6)
	2nd Quarter	9.60	(7)	9.42	(6)
	3rd Quarter	9.76	(8)	9.47	(4)
2016	Year to Date	9.91	(24)	9.45	(16)

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Electric Utilities--Summary Table

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Cap. Struc.	(# Cases)	\$ Mil.	(# Cases)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.32	(26)	10.32	(26)	48.54	(25)	1,318.1	(39)
2007	Full Year	8.18	(37)	10.30	(38)	47.88	(36)	1,405.7	(43)
2008	Full Year	8.21	(39)	10.41	(37)	47.94	(36)	2,823.2	(44)
2009	Full Year	8.24	(40)	10.52	(40)	48.57	(39)	4,191.7	(58)
2010	Full Year	8.01	(62)	10.37	(61)	48.63	(57)	4,921.9	(78)
2011	Full Year	8.00	(43)	10.29	(42)	48.26	(42)	2,595.1	(56)
2012	Full Year	7.95	(51)	10.17	(58)	50.69	(52)	3,080.7	(69)
2013	Full Year	7.66	(45)	10.03	(49)	49.25	(43)	3,328.6	(61)
2014	Full Year	7.60	(32)	9.91	(38)	50.28	(35)	2,053.7	(51)
	1st Quarter	7.74	(10)	10.37	(9)	51.91	(9)	203.6	(11)
	2nd Quarter	7.04	(9)	9.73	(7)	47.83	(6)	819.5	(17)
	3rd Quarter	7.85	(3)	9.40	(2)	51.08	(3)	379.6	(5)
	4th Quarter	7.22	(13)	9.62	(12)	48.24	(12)	488.7	(19)
2015	Full Year	7.38	(35)	9.85	(30)	49.54	(30)	1,891.5	(52)
	1st Quarter	7.03	(9)	10.29	(9)	46.06	(9)	311.2	(12)
	2nd Quarter	7.42	(7)	9.60	(7)	49.91	(7)	117.7	(9)
	3rd Quarter	7.23	(8)	9.76	(8)	49.11	(8)	499.1	(13)
2016	Year to Date	7.21	(24)	9.91	(24)	48.20	(24)	928.0	(34)

Gas Utilities--Summary Table

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Cap. Struc.	(# Cases)	\$ Mil.	(# Cases)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.44	(17)	10.40	(15)	47.24	(16)	392.5	(23)
2007	Full Year	8.11	(31)	10.22	(35)	48.47	(28)	645.3	(43)
2008	Full Year	8.49	(33)	10.39	(32)	50.35	(32)	700.0	(40)
2009	Full Year	8.15	(29)	10.22	(30)	48.49	(29)	438.6	(36)
2010	Full Year	7.99	(40)	10.15	(39)	48.70	(40)	776.5	(50)
2011	Full Year	8.09	(18)	9.92	(16)	52.49	(14)	367.0	(31)
2012	Full Year	7.98	(30)	9.94	(35)	51.13	(32)	264.0	(41)
2013	Full Year	7.39	(20)	9.68	(21)	50.60	(20)	494.9	(38)
2014	Full Year	7.65	(27)	9.78	(26)	51.11	(28)	529.2	(48)
	1st Quarter	6.41	(2)	9.47	(3)	50.41	(2)	168.9	(9)
	2nd Quarter	7.29	(3)	9.43	(3)	50.71	(3)	34.9	(8)
	3rd Quarter	7.35	(1)	9.75	(1)	42.01	(1)	103.9	(8)
	4th Quarter	7.54	(10)	9.68	(9)	50.40	(10)	186.5	(15)
2015	Full Year	7.34	(16)	9.60	(16)	49.93	(16)	494.1	(40)
	1st Quarter	7.12	(6)	9.48	(6)	50.83	(6)	120.2	(11)
	2nd Quarter	7.38	(6)	9.42	(6)	50.01	(6)	276.3	(16)
	3rd Quarter	6.59	(5)	9.47	(4)	48.44	(4)	106.3	(8)
2016	Year to Date	7.05	(17)	9.45	(16)	49.93	(16)	502.8	(35)

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Electric Average Authorized ROEs: 2006 — 2016 YTD

Settled versus Fully Litigated Cases

Year	All Cases		Settled Cases		Fully Litigated Cases	
	ROE %	(# Cases)	ROE %	(# Cases)	ROE %	(# Cases)
2006	10.32	(26)	10.26	(11)	10.37	(15)
2007	10.30	(38)	10.42	(14)	10.23	(24)
2008	10.41	(37)	10.43	(17)	10.39	(20)
2009	10.52	(40)	10.64	(16)	10.45	(24)
2010	10.37	(61)	10.39	(34)	10.35	(27)
2011	10.29	(42)	10.12	(16)	10.39	(26)
2012	10.17	(58)	10.06	(29)	10.28	(29)
2013	10.03	(49)	10.12	(32)	9.85	(17)
2014	9.91	(38)	9.73	(17)	10.05	(21)
2015	9.85	(30)	10.07	(14)	9.66	(16)
2016 YTD	9.91	(24)	9.67	(8)	10.04	(16)

General Rate Cases versus Limited Issue Riders

Year	All Cases		General Rate Cases		Limited Issue Riders	
	ROE %	(# Cases)	ROE %	(# Cases)	ROE %	(# Cases)
2006	10.32	(26)	10.34	(25)	9.80	(1)
2007	10.30	(38)	10.31	(37)	9.90	(1)
2008	10.41	(37)	10.37	(35)	11.11	(2)
2009	10.52	(40)	10.52	(38)	10.55	(2)
2010	10.37	(61)	10.29	(58)	11.87	(3)
2011	10.29	(42)	10.19	(40)	12.30	(2)
2012	10.17	(58)	10.01	(52)	11.57	(6)
2013	10.03	(49)	9.81	(42)	11.34	(7)
2014	9.91	(38)	9.75	(33)	10.96	(5)
2015	9.85	(30)	9.60	(24)	10.87	(6)
2016 YTD	9.91	(24)	9.64	(16)	10.46	(8)

Vertically Integrated Cases versus Delivery Only Cases

Year	All Cases		Vertically Integrated Cases		Delivery Only Cases	
	ROE %	(# Cases)	ROE %	(# Cases)	ROE %	(# Cases)
2006	10.32	(26)	10.63	(15)	9.91	(10)
2007	10.30	(38)	10.50	(26)	9.86	(11)
2008	10.41	(37)	10.48	(26)	10.04	(9)
2009	10.52	(40)	10.66	(28)	10.15	(10)
2010	10.37	(61)	10.42	(41)	9.98	(17)
2011	10.29	(42)	10.33	(28)	9.85	(12)
2012	10.17	(58)	10.10	(39)	9.73	(13)
2013	10.03	(49)	9.95	(31)	9.41	(11)
2014	9.91	(38)	9.94	(19)	9.50	(14)
2015	9.85	(30)	9.75	(17)	9.23	(7)
2016 YTD	9.91	(24)	9.70	(10)	9.53	(6)

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Gas Average Authorized ROEs: 2006 — 2016 YTD

Settled versus Fully Litigated Cases

Year	All Cases		Settled Cases		Fully Litigated Cases	
	ROE %	(# Cases)	ROE %	(# Cases)	ROE %	(# Cases)
2006	10.40	(15)	10.26	(7)	10.53	(8)
2007	10.22	(35)	10.24	(22)	10.20	(13)
2008	10.39	(32)	10.34	(20)	10.47	(12)
2009	10.22	(30)	10.43	(13)	10.05	(17)
2010	10.15	(39)	10.30	(12)	10.08	(27)
2011	9.92	(16)	10.08	(8)	9.76	(8)
2012	9.94	(35)	9.99	(14)	9.92	(21)
2013	9.68	(21)	9.80	(9)	9.59	(12)
2014	9.78	(26)	9.51	(11)	9.98	(15)
2015	9.60	(16)	9.60	(11)	9.58	(5)
2016 YTD	9.45	(16)	9.42	(9)	9.49	(7)

General Rate Cases versus Limited Issue Riders

Year	All Cases		General Rate Cases		Limited Issue Riders	
	ROE %	(# Cases)	ROE %	(# Cases)	ROE %	(# Cases)
2006	10.40	(15)	10.40	(15)	—	(0)
2007	10.22	(35)	10.22	(35)	—	(0)
2008	10.39	(32)	10.39	(32)	—	(0)
2009	10.22	(30)	10.22	(30)	—	(0)
2010	10.15	(39)	10.15	(39)	—	(0)
2011	9.92	(16)	9.91	(15)	10.00	(1)
2012	9.94	(35)	9.93	(34)	10.40	(1)
2013	9.68	(21)	9.68	(21)	—	(0)
2014	9.78	(26)	9.78	(26)	—	(0)
2015	9.60	(16)	9.60	(16)	—	(0)
2016 YTD	9.45	(16)	9.45	(16)	—	(0)

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Electric Utility Decisions

Date	Company	State	ROR		Common Equity as % of		Test Year	Rate Base	Amt. \$ Mil. Footnotes
			%	ROE %	Capital Structure	Year			
1/5/16	MDU Resources Group	ND	7.95	10.50	50.27	12/16	—	15.1 (B,LIR,1)	
1/6/16	Avista Corporation	WA	7.29	9.50	48.50	9/14	—	-8.1 (B)	
1/28/16	Northern Indiana— Public Service Company	IN	—	—	—	—	—	0.0 (LIR,2)	
2/2/16	Kentucky Utilities Company	VA	—	—	—	12/14	—	5.5 (B)	
2/23/16	Entergy Arkansas	AR	4.52	9.75	28.46	3/15	—	219.7 (B,*)	
2/29/16	Virginia Electric and Power Company	VA	7.90	11.60	49.99	3/17	Average	21.0 (LIR,3)	
2/29/16	Virginia Electric and Power Company	VA	7.40	10.60	49.99	3/17	Average	-9.3 (LIR,4)	
2/29/16	Virginia Electric and Power Company	VA	7.40	10.60	49.99	3/17	Average	6.6 (LIR,5)	
2/29/16	Virginia Electric and Power Company	VA	7.40	10.60	49.99	3/17	Average	-16.8 (LIR,6)	
3/16/16	Indianapolis Power & Light Company	IN	6.51	9.85	37.33	6/14	Year-end	29.6 (*)	
3/25/16	MDU Resources Group	MT	—	—	—	12/14	—	7.4 (B,Z)	
3/29/16	Virginia Electric and Power Company	VA	6.90	9.60	49.99	3/17	Average	40.4 (LIR,7)	
2016	1ST QUARTER: AVERAGES/TOTAL OBSERVATIONS		7.03	10.29	46.06			311.2	
			9	9	9			12	
4/29/16	Fitchburg Gas and Electric Light Company	MA	8.46	9.80	52.17	12/14	Year-end	2.1 (D)	
6/3/16	Baltimore Gas and Electric Company	MD	7.28	9.75	51.90	11/15	Average	44.1 (D,R)	
6/8/16	El Paso Electric Company	NM	7.67	9.48	49.29	12/14	Year-end	1.1	
6/15/16	New York State Electric & Gas Corporation	NY	6.68	9.00	48.00	4/17	Average	29.6 (B,D,Z,8)	
6/15/16	Rochester Gas and Electric Corporation	NY	7.55	9.00	48.00	4/17	Average	3.0 (B,D,Z,8)	
6/23/16	San Diego Gas & Electric Co.	CA	—	—	—	12/16	Average	3.0 (B,Z,9)	
6/30/16	Appalachian Power Company	WV	—	—	—	—	—	55.1 (B,LIR,10)	
6/30/16	Virginia Electric and Power Company	VA	7.40	10.60	49.99	8/17	Average	-25.7 (LIR,11)	
6/30/16	Virginia Electric and Power Company	VA	6.90	9.60	49.99	8/17	Average	5.4 (LIR,12)	
2016	2ND QUARTER: AVERAGES/TOTAL OBSERVATIONS		7.42	9.60	49.91			117.7	
			7	7	7			9	
7/18/16	Northern Indiana Public Service Company	IN	6.74	9.98	47.42	3/15	Year-end	72.5 (B,*)	
8/9/16	Kingsport Power Company	TN	6.18	9.85	40.25	12/17	Average	8.6 (B)	
8/10/16	Southwestern Public Service Company	NM	—	—	—	—	—	23.5 (B)	
8/10/16	Empire District Electric Company	MO	—	—	—	6/15	—	20.4 (B)	
8/18/16	El Paso Electric Company	TX	—	—	—	3/15	—	40.7 (I,B)	
8/18/16	UNS Electric, Inc.	AZ	7.22	9.50	52.83	12/14	Year-end	15.1	
8/22/16	Virginia Electric and Power Company	VA	—	—	—	8/17	—	21.3 (LIR, B,13)	
8/24/16	Atlantic City Electric Company	NJ	7.64	9.75	49.48	12/15	Year-end	45.0 (D,B)	

Electric Utility Decisions (continued)

Date	Company	State	ROR		Common Equity as % of Capital Structure	Test Year	Rate Base	Amt. \$ Mil. Footnotes
			%	ROE %				
9/1/16	PacifiCorp	WA	7.30	9.50	49.10	6/15	Year-end	13.7 (Z)
9/8/16	Upper Peninsula Power Company	MI	7.47	10.00	53.49	12/16	Average	4.6 (I,*)
9/28/16	Public Service Company of New Mexico	NM	7.71	9.58	49.61	9/16	Average	61.0
9/28/16	KCP&L Greater Missouri Operations	MO	—	—	—	—	—	3.0 (B)
9/30/16	Massachusetts Electric Company	MA	7.58	9.90	50.70	6/15	Year-end	169.7 (D)
2016	3RD QUARTER: AVERAGES/TOTAL OBSERVATIONS		7.23	9.76	49.11			499.1 13
2016	YEAR-TO-DATE: AVERAGES/TOTAL OBSERVATIONS		7.21	9.91	48.20			928.0 34

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

Gas Utility Decisions

Date	Company	State	ROR		Common Equity as % of Capital Structure	Test Year	Rate Base	Amt. \$ Mil. Footnotes
			%	ROE %				
1/6/16	Oklahoma Natural Gas Company	OK	7.31	9.50	60.50	3/15	Year-end	30.0 (B)
1/6/16	Avista Corporation	WA	7.29	9.50	48.50	09/14	—	10.8 (B)
1/28/16	SourceGas Arkansas	AR	5.33	9.40	39.46	3/15	Year-end	8.0 (B,*)
1/10/16	Liberty Utilities (New England Natural Gas)	MA	7.99	9.60	50.00	12/14	Year-end	7.8 (B)
1/16/16	Public Service Company of Colorado	CO	7.33	9.50	56.51	12/14	Average	39.2 (I,Z,R)
1/25/16	Black Hills Kansas Gas Utility Company	KS	—	—	—	10/15	Year-end	0.8 (LIR,14)
1/29/16	Avista Corporation	OR	7.46	9.40	50.00	12/16	Average	4.5
1/17/16	Atmos Energy Corporation	KS	—	—	—	3/15	—	2.2 (B)
1/30/16	Indiana Gas Company, Inc.	IN	—	—	—	6/15	Year-end	7.0 (LIR,15)
1/30/16	Northern Indiana Public Service Company	IN	—	—	—	6/15	Year-end	7.6 (LIR,16)
1/30/16	Southern Indiana Gas and Electric Company	IN	—	—	—	6/15	Year-end	2.3 (LIR,15)
2016	1ST QUARTER: AVERAGES/TOTAL OBSERVATIONS		7.12	9.48	50.83			120.2 11
2/1/16	Consumers Energy Company	MI	—	—	—	12/16	—	40.0 (I,B)
2/29/16	Fitchburg Gas and Electric Light Company	MA	8.46	9.80	52.17	12/14	Year-end	1.6
2/5/16	CenterPoint Energy Resources Corp.	MN	7.07	9.49	50.00	9/16	Average	27.5 (I)
2/11/16	Liberty Utilities (Midstates Natural Gas) Corp	MO	—	—	—	1/16	—	0.2 (LIR,17)
2/19/16	Delta Natural Gas Company	KY	—	—	—	12/15	Year-end	1.4 (LIR)
2/19/16	Laclede Gas Company	MO	—	—	—	2/16	Year-end	5.4 (LIR,18)
2/19/16	Missouri Gas Energy	MO	—	—	—	2/16	Year-end	3.6 (LIR,18)

Gas Utility Decisions (continued)

Date	Company	State	ROR		Common Equity as % of Capital Structure	Test Year	Rate Base	Amt. \$ Mil. Footnotes
			%	ROE %				
6/1/16	Maine Natural Gas	ME	7.28	9.55	50.00	9/14	Average	2.5 (B,Z)
6/3/16	Baltimore Gas and Electric Company	MD	7.23	9.65	51.90	11/15	Average	47.9 (R)
6/15/16	New York State Electric & Gas Corporation	NY	6.68	9.00	48.00	4/17	Average	13.1 (B,Z,7)
6/15/16	Rochester Gas and Electric Corporation	NY	7.55	9.00	48.00	4/17	Average	8.8 (B,Z,7)
6/22/16	Northern Indiana Public Service Company	IN	—	—	—	12/15	Year-end	6.7 (LIR,E,19)
6/23/16	San Diego Gas & Electric Co.	CA	—	—	—	12/16	Average	-1.6 (B,Z,20)
6/23/16	Southern California Gas Company	CA	—	—	—	12/16	Average	106.9 (B,Z,9)
6/29/16	Indiana Gas Company, Inc.	IN	—	—	—	12/15	Year-end	10.2 (LIR,21)
6/29/16	Southern Indiana Gas and Electric Co.	IN	—	—	—	12/15	Year-end	2.1 (LIR,21)
2016	2ND QUARTER: AVERAGES/TOTAL OBSERVATIONS		7.38	9.42	50.01			276.3
			6	6	6			16
7/7/16	Cascade Natural Gas Corporation	WA	7.35	—	—	—	—	4.0 (B)
7/19/16	CenterPoint Energy Resources Corp.	OK	—	—	—	12/15	—	0.0 (B,22)
8/4/16	Atmos Energy Corporation	KY	—	—	—	5/17	—	0.5 (B)
8/22/16	Questar Gas Company	UT	—	—	—	—	—	— (23)
9/1/16	UGI Utilities, Inc.	PA	—	—	—	9/17	—	27.0 (B)
9/2/16	CenterPoint Energy Resources Corp.	AR	4.53	9.50	30.85	9/15	Year-end	14.2 (B,*)
9/23/16	New Jersey Natural Gas Company	NJ	6.90	9.75	52.50	6/16	Year-end	45.0 (B)
9/27/16	Texas Gas Service Company	TX	7.28	9.50	60.10	9/15	Year-end	8.8
9/29/16	Minnesota Energy Resources Corp.	MN	6.88	9.11	50.32	12/16	Average	6.8 (I,E)
2016	3RD QUARTER: AVERAGES/TOTAL OBSERVATIONS		6.59	9.47	48.44			106.3
			5	4	4			8
2016	YEAR TO DATE: AVERAGES/TOTAL OBSERVATIONS		7.05	9.45	49.93			502.8
			17	16	16			35

Source: Regulatory Research Associates, an offering of S&P Global Market Intelligence

FOOTNOTES

- Average
- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.
- WIP- Construction work in progress
- Applies to electric delivery only
- Ct Date certain rate base valuation
- Estimated
- Return on fair value rate base
- y- Hypothetical capital structure utilized
- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.
- LR Limited-issue rider proceeding
- "Make-whole" rate change based on return on equity or overall return authorized in previous case.
- Revised
- z- Temporary rates implemented prior to the issuance of final order.
- Double leverage capital structure utilized.
- Case withdrawn
- z- Year-end
- Rate change implemented in multiple steps.
- Capital structure includes cost-free items or tax credit balances at the overall rate of return.

Rate increase approved in renewable resource cost recovery rider.

Case represents the company's transmission, distribution, and storage system improvement charge, or TDSIC rate adjustment mechanism. The case was dismissed by the Commission, with no rate change authorized.

Proceeding determines the revenue requirement for Rider B, which is the mechanism through which the company recovers costs associated with its plan to convert the Altavista, Hopewell, and Southampton Power Stations to burn biomass fuels.

Represents rate decrease associated with the company's Rider R proceeding, which is the mechanism through which the company recovers the investment in the Bear Garden generating facility.

This proceeding determines the revenue requirement for Rider S, which recognizes in rates the company's investment in the Virginia City Hybrid Energy Center.

Decrease authorized through a surcharge, Rider W, which reflects in rates investment in the Warren County Power Station.

Proceeding involves a new gas-fired generation facility, the Greenville County project, and creation of a new rider mechanism, Rider GV, to reflect the related revenue requirement in rates.

Rate increase effective 5/1/16; additional increases to be effective 5/1/17 and 5/1/18.

Settlement adopted with modifications. Rate Increase effective retroactive to 1/1/16; additional increases to be effective 1/1/17 and 1/1/18.

-) Represents the company's joint expanded net energy cost, or ENEC, proceeding.
-) Represents rate decrease associated with the company's Rider BW proceeding, which is the mechanism through which the company recovers the investment in its Brunswick County Power Station.
-) Represents the rate increase associated with the company's Rider US-2, which is the mechanism through which the company recovers the revenue requirement associated with three new solar generation facilities.
-) Case involves the company's request to establish Rider U for recovery of investment and costs associated with a project to underground certain distribution lines.
-) Case involves the company's gas system reliability surcharge, or GSRS, rider and reflects investments made from July 1, 2014 through Oct. 31, 2015.
-) Case involves company's "compliance and system improvement adjustment" mechanism, and includes compliance-related investments made between Jan. 1 and June 30, 2015, and certain other investments made between July 1, 2014 and June 30, 2015.
-) Case establishes the rates to be charged to customers under the company's transmission, distribution and storage system improvement charge rate adjustment mechanism, and reflects investments made between July 1, 2014 and June 30, 2015.
-) Case involves the company's infrastructure system replacement surcharge, or ISRS, rider and reflects incremental investments made from 6/1/15 through 1/31/16.

FOOTNOTES (continued)

- (18) Case involves the company's infrastructure system replacement surcharge, or ISRS, rider and reflects incremental investments made from 9/1/15 through 2/29/16.
- (19) Case establishes the rates to be charged to customers under the company's transmission, distribution and storage system improvement charge rate adjustment mechanism, and reflects investments made between 7/1/15 and 12/31/15.
- (20) Settlement adopted with modifications. Rate decrease effective retroactive to 1/1/16; rate increases to be effective 1/1/17 and 1/1/18.
- (21) Case involves company's "compliance and system improvement adjustment" mechanism, and includes compliance-related investments made between 7/1/15 and 12/31/15.
- (22) Case involves the company's performance based ratemaking plan.
- (23) On 8/22/16, the PSC approved the company's petition to withdraw the rate increase request, effectively closing the case. The request to withdraw the filing comported with provisions of a settlement filed in the Questar/Dominion Resources merger proceeding.

Dennis Spurduto

SNL
Licensed to: Kentucky Public Service Commis

CERTIFICATE

I, Stephanie Schweighardt, herby certify that:


(1) The attached transcript is an excerpt from the video hearing held on November 1, 2016 in PSC Case No. 2016-00162.

(2) I am responsible for the preparation of the transcription attached hereto, beginning at hearing marker 12:19:29 and ending at 12:20:21 in accordance with the time stamp on the video of the hearing taken from the Commission's website.

(3) The attached transcription was not prepared by stenographic means, but was prepared from video/audio only.

(4) The attached pages are a true and correct transcription of the above referenced excerpts to the best of my knowledge.

Affiant further saith naught.


Stephanie Schweighardt, Notary Public
State at Large
My Commission Expires: January 4, 2019
ID#: 525987

DATE: November 2, 2016

QUESTIONS TO BE ASKED OF EACH PARTY
WHEN THERE IS A SETTLEMENT AGREEMENT

Chairman Michael Schmitt:

1. WERE YOU AWARE OF, AND DID YOU HAVE AN OPPORTUNITY TO PARTICIPATE IN, ALL OF THE NEGOTIATIONS THAT RESULTED IN THE SETTLEMENT AGREEMENT?

Atty. Andrea Brown –LFCUG: “Uh, huh, yes” (nodded head yes).

Chairman Michael Schmitt:

2. DID YOU VOLUNTARILY SIGN THE SETTLEMENT AGREEMENT AND DO YOU FULLY SUPPORT EACH AND EVERY PROVISION CONTAINED THEREIN?

Atty. Andrea Brown –LFCUG: “On behalf of LFUCG, yes.”

Chairman Michael Schmitt:

3. ARE THERE ANY PROVISIONS IN THE SETTLEMENT AGREEMENT THAT YOU DO NOT UNDERSTAND, OBJECT TO, OR TAKE ISSUE WITH?

Atty. Andrea Brown –LFCUG: “There are not.”

Chairman Michael Schmitt:

4. WAS ANY CONSIDERATION OF ANY KIND OFFERED, OR WERE ANY PROMISES MADE, OTHER THAN WHAT IS EXPRESSLY SET FORTH IN THE SETTLEMENT AGREEMENT, TO INDUCE YOU TO NEGOTIATE AND SIGN THE SETTLEMENT AGREEMENT?

Atty. Andrea Brown –LFCUG: “No”

Chairman Michael Schmitt:

5. ARE YOU AWARE OF ANY REASON WHY THE COMMISSION SHOULD NOT ADOPT AND APPROVE THE SETTLEMENT AGREEMENT IN ITS ENTIRETY?

Atty. Andrea Brown – LFUCG: “No sir”.

Chairman Schmitt to Atty. Andrea Brown: “You are excused.”

Who and Why

My Name is George Arvin and my wife and I have account [REDACTED] with Columbia Gas of Kentucky.

I wish to comment as a residential customer to the Kentucky Public Service Commission regarding Stipulation and Recommendation for the requested rate adjustments by Columbia Gas that is Case Number 2016-00162.

Parties to Stipulated and Recommendation agreement other than Columbia Gas

Hon. Kent Chandler – On behalf of Attorney General of Kentucky
Hon. David J. Barberie – On behalf of Lexington-Fayette County Government
Hon. David F. Boehm – On behalf of the Kentucky Industrial Utility Customer
Hon. Iris Skidmore – On behalf of the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties, Inc

Only parties that filed a motion to intervene participated in these negotiations. I only found out about this Stipulated Agreement on October 26 and was told at that time by PSC staff via email "The hearing will now consider only the settlement and thus will be greatly abbreviated."

I attempted to contact the above parties to determine why they thought this was a good deal for the "residential customer" as this is my primary interest.

I will now comment on my success in communication with the above parties.

Stipulated and Recommendation agreement to increase monthly fixed charge

Nowhere can we find an explanation by Columbia Gas about the purpose of the current \$15 monthly fixed charge on residential bills. Apparently this is guaranteed revenue of \$180 per year per customer that appears to be unallocated as to its purpose and use by the gas company. The Stipulated agreement indicates a willingness to accept an increase from \$15 to \$16 that is a 6.67% increase!

Who is requesting this increase and why?

If you go to the Kentucky Secretary of State web site and use a business search to look up Columbia Gas of Kentucky you will determine their organization number is 0010555 and they are a for Profit company. The web site lists 5 officers for the company and 3 directors. ALL OF THESE OFFICERS AND DIRECTORS HAVE OUT OF STATE ADDRESSES IN MERRIVILLE, INDIANA.

Further research indicates that Columbia Gas of Kentucky is owned by an energy holding company named NiSource whose home office is in Merrville, Indiana. The fixed cost rate increase is not requested by a small company serving 30 counties in Kentucky. The request is by a very large company with annual sales of over 4 billion dollars, more than 7,600 employees and serves 3.4 million customers.

Now that we know who wants this increase in the residential consumer fixed cost we can do some research to determine if they actually need the increase.

How is NiSource doing financially? Let's start with the company stockholders since the company is listed on the NYSE under the symbol NI. If you had purchased shares of NI at the end of December 2013, that is the last time they got a rate increase, and held them less than 3 years to date, your shares would have almost doubled in price. (From \$12.92 per share to a high of \$25.50 earlier this year).

NiSource is a very profitable company that pays a 2.8% dividend on its common stock and has paid a dividend for these three years and many more in the past. The most recent annual financial statement I can find for NI shows annual profits of \$286 million for the 2015 year.

A look at cost since the gas company last got a raise

A look at inflation as measured by the CPI for 2014 (0.8%), 2015 (0.7%), and 2016 (as of Sept 30 looking back 12 months 1.5%). The cumulative inflation rate over these 33 months has been less than 1% per year.

What about future cost pressures over the next three years?

The Federal Reserve Board has published an inflation forecast for 2016 (1.6%), 2017 (1.8%), 2018 (2.0%).

The Accelerated Main Replacement Program Rider

Since 2008 residential bills have included a line item charge for Accelerated Main Replacement Program Rider. This charge to gas consumers appears to have been to fund the \$92 million spent by the gas company to replace 108 miles of aging lines. The gas company proposed to bury this temporary line item charge into the permanent Customer Charge per bill.

My ability to research the gas company spending for replacing aging lines is impossible due the lack of available data. Frankly I am very puzzled about how the financing of replacement lines is being funded. Let's start with who actually owns these lines. I assume the gas company does. If so, since they are a for profit company surely they qualify for a tax deduction of depreciation expense.

Let me be very clear on this point because I want to be sure it is understood. If this billing charge to residential gas customers is for the cost to replace aging lines that the

company owns then this charge is a disaster for the residential customer and a huge benefit to the company! Why? Because the company can write off the cost of replacing the lines through depreciation tax charges thus the gas company gets paid twice for replacing the aging lines.

Paragraph 2 of the Stipulation and Recommendation agreement reads as follows:

Columbia will withdraw its proposed revisions to Rider AMRP except for Columbia's Accelerated Main Replacement Program ("AMRP") rates which will be set to \$0.00. For purposes of Columbia's AMRP and calculation of AFUDC, the specified ROI is 9.8%.

What does this mean? Does the \$2.25 or \$2.26 on my bill go away January 1 or not?

A look at the variable costs agreed to in the proposed settlement

Believe it or not paragraph 3 of the Stipulation and Recommendation agreement reads as follows:

All other tariff changes proposed in Columbia's Application shall be adopted.

What were the four negotiators thinking about when they agreed to this sentence? They sure were not thinking about residential customers!

On page 1 of 6 (6 pages from the end of the settlement agreement package)

The present rate for the current variable (they call it volumetric) rate is \$2.2666 per Mcf

On page 2 of the agreement you will see this rate changed to \$3.5927 per Mcf

For each Mcf of residential gas delivered, the delivery cost goes up 58.5%!

But that is more to this story.

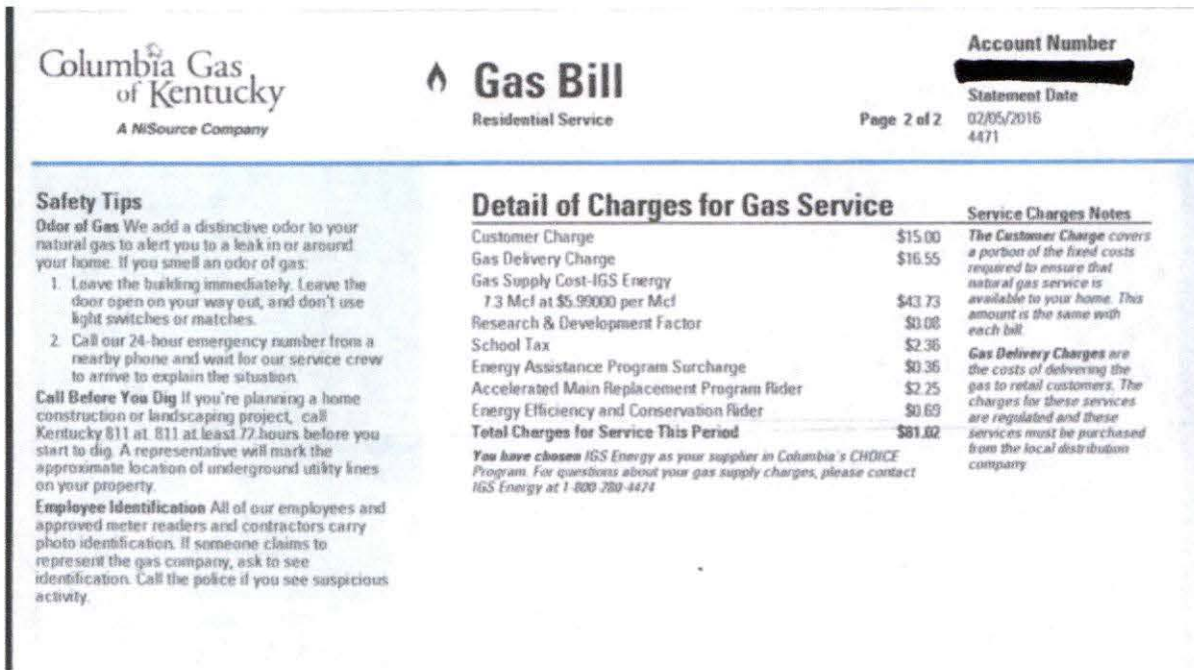
If you look at the first residential tariff attachment in Attachment A you will find this table:

Table 1

RATE SCHEDULE FOR GSR	Base rate charge	Gas Cost adjustment Demand	Gas Cost adjustment Commodity	Total Billing Rate
Customer change per billing period	\$16.00	0	0	\$16.00
Delivery charge per Mcf	\$3.5927	\$1.5811	\$2.9330	\$8.1068

Apparently two gas adjustment factors can now be added to the base rate for some residential customers. Footnote 1 refers to sheets 48-51 of the tariff that appear to be excluded from the agreement. These delivery charges per Mcf are increased by 257%!

Impact statement for a residential customer by the proposed agreement



Above is an image of our gas bill for February 2016. The charges for the month that went directly to Columbia gas are shown below under the present and proposed rates:

Table 2

Type of charge	Current Rate	Proposed Rate	Difference	Percent
Customer charge	\$15	\$16	\$1	6.67%
Gas Delivery per Mcf & \$ charge	2.2666 \$16.55	3.5927 \$26.23	1.3261 \$9.68	58.5% Note 2
Research & Development	\$0.08	\$0.08	Note 1	
Energy Assistance Program	\$0.36	\$0.36	Note 1	
Accelerated Main Replacement Program Rider	\$2.25	\$2.25	Gone or Not?	
Energy Efficiency and Conservation Rider	\$.69	\$.69	Note 1	
Totals	\$34.93	\$45.61	\$10.68	30.6%

Note 1 – This rate seems to vary from time to time on our bill thus not sure how it is calculated

Note 2 –For some residential customers the Gas Delivery charge is \$8.1068 instead of \$ 3.5927 thus the total percent increase goes from 30.6% to 152.6% in my example!

Summary and conclusion by a residential customer

Regarding the agreement to increase the \$15 monthly fixed charge from \$15 to \$16 for a 6.67% increase

In this period of modest inflation and stagnant wage growth there is no justification whatsoever for any fixed cost increase. Especially when at the same time a variable cost increase for residential customers has been agreed to in the stipulated settlement! Also, a customer **cannot manage** this fixed cost by conservation like they can manage a variable cost. **We request the commission to approve NO change in the \$15 Monthly Fixed customer charge for residential customers.**

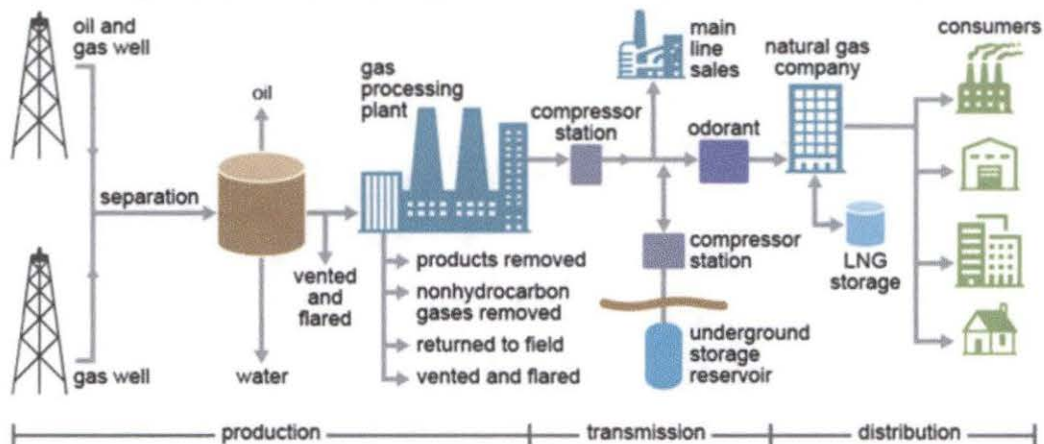
Regarding the Accelerated Main Replacement Program Rider – Rewrite paragraph 2 as shown below:

Columbia will withdraw its proposed revisions to Rider AMRP and set the rates to \$.0.00.

We simply want to be sure the Accelerated Main Replacement Program rider is out. In our opinion the method of determining this rider charge, if used in the future, should come before the commission at a separate time for analysis.

Regarding the agreement to increase the residential volumetric rate that is a variable cost (shown as “Gas Delivery Charge” on our bill)

Natural gas production and delivery



The above picture can help us understand the concept of the delivery charge.

We propose a residential rate of \$2.3345 instead of \$3.5927 per Mcf in the agreement, with NO gas cost adjustment load factors applied to any residential customers for the purpose of increasing this rate.

Setting prices for a monopoly is serious business and I do not take these recommendations lightly. How can we determine the true delivery cost of natural gas from the gas company to the residential customer? How has this cost increased or decreased for the gas company over time? Such data is not easy for me to get because I tried.

However, we know the delivery process is NOT labor intensive. Frankly I do not have the data to support my opinion, but I am confident that **the unit cost of natural gas distribution has decreased over time**, for example a ten year period. The reason for my confidence is technology drives this process, not labor cost. I assume there has never been a hearing before this commission to deal with passing along the decreasing cost of delivering gas to the residential customer.

My recommended residential customer rate factor increase from 2.2666 to 2.3345 is a 3% increase. **The recommended increase is a full 1% above the Federal Reserve Board's inflation forecast of 2% for 2018.** Keep in mind this increase applies to each Mcf of gas delivered to a residential customer.

We know that the inflation rate is impacted by labor cost thus it is my opinion that using this methodology to gage a future delivery cost price change favors the gas company. Our goal is to arrive at a fair delivery charge rate for both the consumer and the gas company. **Clearly the 58.5% rate increase in the agreement is unfair to the retail customer.** The proposed 3% rate is in line with the residential consumer's ability to pay and also in line, in my opinion, with the delivery cost of natural gas by the gas company.

A review of the gas companies residential rate change impact example

If you look at the last page in the agreement package you will find this information:

General Service - Residential @ 5.5 Mcf Present Revenue \$43.06
Proposed Revenue \$49.15

This presentation indicates **the percentage increase impact for a typical residential customer is 14%.** I disagree with the presentation because it is not a true representation of the actual cost increase to the residential customer. I have a problem with the handling of the Accelerated Main Replacement Program Rider that is currently \$2.25 or \$2.26 that is a debt payment amortization.

The ending of this payment period for replacing old lines **SHOULD NOT** be treated as **an offset** against new revenue that the gas company wants approved. I assume the gas company used this rider revenue to amortize the cost of replaced pipelines rather than for general corporate purposes. Therefore, the loss of this revenue should not impact their profit or loss.

I have presented in Table 3 below what I believe to be a better comparison of the cost increase in the agreement to a residential customer using 5.5 Mcf of gas in a month. School tax is eliminated from both sides of the table.

Table 3
Comparison of current rates to agreed rates in settlement agreement for a residential customer using 5.5Mcf in a month, with school tax omitted.

Type of charge	Current Rate	Proposed Rate	Difference	Percent
Customer charge	\$15	\$16	\$1	6.67%
Gas Delivery per Mcf & \$ charge	2.2666 \$12.46	3.5927 \$19.76	1.3261 \$7.30	58.5%
Research & Development	\$0.08	\$0.08	Note 1	
Energy Assistance Program	\$0.32	\$0.32	Note 1	
Accelerated Main Replacement Program Rider	Gone	Gone		
Energy Efficiency and Conservation Rider	\$.69	\$.69	Note 1	
Totals	\$28.55	\$36.85	\$8.30	29.07%

Note 1 – This rate seems to vary from time to time on our bill thus not sure how it is calculated

This valid comparison reveals the increase agreed to in the settlement document is more than a 29% increase for a “typical residential customer”.

Table 4
Comparison of current rates to my proposed rates for a residential customer using various Mcf amounts in a month, with school tax omitted.

Monthly Mcf Used	Total Bill Using Current Rates	Total Bill Using Proposed Rates	Dollar Difference	Percent Difference
2.25	\$20.95	\$21.10	\$0.15	0.73%
5.5	\$28.56	\$28.93	\$0.37	1.31%
11.0	\$41.41	\$42.16	\$0.75	1.80%
16.5	\$54.24	\$55.36	\$1.12	2.07%
22.0	\$67.01	\$68.50	\$1.49	2.23%

This table gives a good picture of how a gas bill fluctuates based on the amount of gas used as a residential customer moves from warm weather to cold weather.

The proposed rate increase aligns well with the potential inflation impact on a residential customer. It is my opinion that the proposed rates also align favorably with the gas company’s changing delivery cost.

Thank you for the opportunity to present on behalf of a residential customer. I welcome any and all questions as I realize a lot of information has been presented to you.

Columbia Gas Rate Increase information
Case Number 2016-00162

A	B	C	D	E	F	G
Analysis increase-Residential	Base for Calc	Agreement	My Rates	Difference	AMRP Amt	For reconciliation
General Services - Residential						
Customer fixed charge	1,180,666	\$1,180,666	0	-\$1,180,666	\$2,656,499	\$6,809,747
Gas Delivery Charge	6,248,080.5	\$8,285,580	\$424,245	-\$7,861,335		
GTS Choice-Residential						
Customer fixed charge	\$281,946	\$281,946	0	-\$281,946	\$634,379	\$1,911,220
Gas Delivery Charge	1,707,000.0	\$2,263,653	\$115,905	-\$2,147,748		
Totals for residential		\$12,011,845	\$540,150	-\$11,471,695	\$3,290,878	
Below for reconciliation use						
GSO Commercial		\$2,940,111	\$2,940,111		\$956,249	\$1,983,862
GSO Industrial		\$200,595	\$200,595		\$4,202	\$196,393
IUS wholesale		\$6,115	\$6,115		\$1,847	\$4,268
GTO Commercial		\$1,568,014	\$1,568,014		\$380,509	\$1,187,505
GTO Industrial		\$41,958	\$41,958		\$1,195	\$40,763
GTS Delivery Commercial		\$525,268	\$525,268		\$192,425	\$332,843
GTS Delivery Industrial		\$899,480	\$899,480		\$210,408	\$689,072
GTS Grandfathered Commercial		\$106,737	\$106,737		\$1,163	\$105,574
GTS Grandfathered Industrial		\$78,439	\$78,439		\$1,444	\$76,995
GTS main line serv Industrial		\$0	\$0		\$0	\$0
Other gas dept revenues						
Acct. 487 Forfeited discounts		\$69,732	\$69,732			\$69,732
Grand totals of increases		\$18,448,294	\$6,976,599	\$11,471,695	\$5,040,320	
Reduce by AMRP to reconcile		-\$5,040,320	-\$5,040,320			
New revenue using their approach		\$13,407,974	\$1,936,279			\$13,407,974
Percentage increase in Total Revenues		Gross Revenue now*	\$87,712,310	Proposed Rev	\$94,688,909	7.95%
*Their current revenue less AMRP						

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