290 W. Nationwide Blvd.
Columbus, Ohio 43215
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Columbia Gas of Kentucky
A NiSource Company

RECEIVED
NOV 30 2017
PUBLIC SERVICE COMMISSION

November 30, 2017

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard, P.O. Box 615
Frankfort, KY 40602

RE: Columbia Gas of Kentucky, Inc.'s Application to Extend Its Gas Cost Adjustment Performance Based Rate Mechanism
PSC Case No. 2017- 00453

Dear Ms. Pinson,

Enclosed please find the original and ten copies of Columbia Gas of Kentucky Inc.'s Application to Extend Its Gas Cost Adjustment Performance Based Rate Mechanism. Should you have any questions about this filing, please contact me at 614-460-5558.

Sincerely,

Brooke E. Wancheck (gme)

Brooke E. Wancheck
Assistant General Counsel

Enclosure(s)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF THE APPLICATION OF)
COLUMBIA GAS OF KENTUCKY, INC. TO)
EXTEND ITS GAS COST ADJUSTMENT) Case No. 2017- 00453
PERFORMANCE BASED RATE)
MECHANISM.)
)

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.

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

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

(b) Columbia's full name and post office address is:

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

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

(d) That by this Application, and pursuant to the Commission's Order in Case No. 2014-00350[1] Columbia seeks authorization to extend its Gas Cost Adjustment Performance Based Rate ("PBR") mechanism for an additional five year period. The extension would authorize continuing operation of the PBR from March 31, 2018 through March 31, 2023. The purpose of this request is to continue to employ a mechanism that provides greater gas cost savings than would be realized absent the incentive mechanism and also ensure no diminution of security of supply. The PBR mechanism is described on Sheets 48 through 50d of Columbia's tariff and included as Attachment A.

(e) By Order dated March 27, 2015 in Case No. 2014-00350, the Commission authorized Columbia to revise its then authorized Gas Cost Incentive Mechanism and combine it with its Off-System Sales and Capacity Release Revenue Sharing Mechanism into a new PBR mechanism for a period of three years through March 31, 2018. Columbia's request to revise its mechanisms came as result of the Commission's mandate in Case No. 2012-00593 for Columbia to review the PBR mechanisms of the Louisville Gas and Electric Company ("LG&E") and Atmos Energy Corporation ("Atmos"). The Commission directed Columbia to revise its incentive mechanism to be, "consistent with the components required/approved for LG&E and Atmos".[2] Columbia is not

[1] Case No. 2014-00350 Order dated March 27, 2015, Ordering Paragraph 4. – Any request for extension of Columbia's PBR shall be filed no less than four months before the March 31, 2018 expiration date.
[2] Order dated October 25, 2013, Case No. 2012-00593, page 7

recommending any changes from the previously approved PBR mechanism in Case No. 2014-00350, but simply an extension of the mechanism through March 31, 2023.

(f) As a result of the PBR, Columbia continues to develop, pursue and manage creative supply arrangements to improve cost performance and maintain reliability. These efforts have resulted in the total value of savings attributable to the PBR for the period April 2015 through August 2017 of approximately $17.9 million, significantly benefiting Columbia's customers based on the established sharing mechanism. An extension of the mechanism for five years will allow Columbia to continue its pursuit of creative gas purchasing measures to the benefit of its customers as well as its shareholders.

WHEREFORE, Columbia respectfully requests that the Commission issue an order authorizing Columbia to extend its PBR until March 31, 2023, for the reasons described herein.

Dated at Columbus, Ohio, this 30th day of November, 2017.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

By: Brooke E. Wancheck (gwc)

Brooke E. Wancheck
Assistant General Counsel

Brooke E. Wancheck, Asst. General Counsel
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Attorney for
COLUMBIA GAS OF KENTUCKY, INC.

ATTACHMENT A

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES

Determination of Gas Cost Adjustment (GCA)

Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Adjustment (GCA) Rate and shall be filed at least thirty (30) days prior to the beginning of each quarterly calendar period. The GCA shall become effective for billing with the final meter readings of the first billing cycle of each quarterly calendar period.

The gas cost adjustment is comprised of:

(1) The Expected Gas Cost Component (EGC), on a dollar-per-Mcf basis, is made up of two components: (a) Expected Commodity Gas Cost which applies to Rate Schedules GS, IS, and IUS, and represents the average expected commodity cost of gas supplied, and (b) Expected Demand Gas Cost which applies to Rate Schedules GS,IUS and SVAS, and represents the average expected demand cost of gas supplied, excluding the Standby Service demand costs to be recovered from IS Customers and General Service Delivery Service Customers. The Commodity Gas Cost component of the EGC includes the remainder of any net cost and benefits of previously authorized hedging activities.

(2) The supplier Refund Adjustment (RA), on a dollar-per-Mcf basis, which reflects refunds received during the reporting period plus interest at a rate equal to the average of the "three month commercial paper rate" for the immediately preceding twelve month period. In the event of any large or unusual refunds, Company may apply to the Commission for the right to depart from the refund procedure herein set forth.

(3) The Actual Cost Adjustment (ACA), on a dollar-per-Mcf basis, which compensates for any previous over or undercollections of gas costs experienced by the company through the operation of this gas cost recovery procedure. The ACA shall be filed quarterly beginning with Company's application for its June 2016 billing cycle, with the ACA factor to be in effect for twelve months. T

(4) The Balancing Adjustment (BA), on a dollar-per-Mcf basis, which compensates for any under or overcollections which have occurred as a result of prior adjustments. The BA shall be filed quarterly beginning with Company's application for its June 2016 billing cycle, with the BA factor to be in effect for three months. N

(5) The Performance Based Rate Adjustment (PBRA), on a dollar-per–Mcf basis, which is calculated annually based on the prior twelve month period ending March 31, with the PBRA factor to be in effect for twelve months beginning June 1st each year.

NOTE: All adjustments will be assigned to the Expected Demand Gas Cost or Expected Commodity Gas Cost components.

DATE OF ISSUE	March 31, 2016
DATE EFFECTIVE	April 29, 2016
ISSUED BY	/s/ Herbert A. Miller, Jr.
TITLE	President

Issued pursuant to an Order of the Public Service Commission in Case No. 2016-00060 dated February 29, 2016

KENTUCKY
PUBLIC SERVICE COMMISSION
Aaron D. Greenwell
ACTING EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
3/1/2016
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

(6) The Gas Cost Uncollectible Rate (GCUR) on a dollar-per-Mcf basis, which is calculated by multiplying the Expected Commodity Gas Cost times the uncollectible accrual rate used to establish rates in Columbia's most recent rate case.

Billing

The Gas Cost Adjustment (GCA) shall be the sum of the following components:

GCA = EGC + RA + ACA + BA + PBRA + GCUR T, N

The GCA will be added to (or subtracted from) the tariff rates prescribed by the Commission Order on Company's latest rate case and will be included in the tariff rates stated on each applicable rate sheet in this tariff.

Definitions

For the purpose of this tariff:

(a) "Average expected cost" is the cost of gas supplies purchased during the latest available twelve month period, including associated transportation charges, storage charges and Take-or-Pay charges, which is determined by the application of suppliers' rates currently in effect, or reasonably expected to be in effect during the quarterly calendar period, less banking and balancing charges, and less the demand costs to be recovered from IS and General Service Delivery Service Customers, divided by the sales volumes for the latest available twelve month period. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or Company expects the volumes to change substantially, Company may make appropriate adjustments in its calculations. Any adjustments of this type shall be described in the Quarterly Gas Cost Adjustment report.

(b) "Quarterly calendar period" means each of the four three month periods of (1) September through November, (2) December through February, (3) March through May, and (4) June through August.

(c) "Reporting period" means the three month accounting period that ended approximately thirty (30) days prior to the filing date of the updated gas recovery rates, i.e. the three months ended June 30^{th}, September 30^{th}, December 31^{st}, and March 31^{st} each year.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

Performance Based Rate Adjustment ("PBRA") T,N

The Performance Based Rate Adjustment (PBRA) shall be calculated annually as follows:

PBRA = CPS / PSV

Where:

PSV = Projected Sales Volume in Mcf, as reflected in the Company's GCA filing for the upcoming twelve month period

CPS = Company Performance Share

CPS = TPBR x ASP

Where:

TPBR = Total Performance Based Results. The TPBR shall be savings or expenses created during the twelve month period and shall be calculated as follows:

TPBR = (GCI + TCI + OSSI)

ASP = Applicable Sharing Percentage

GCI

GCI = Gas Cost Incentive will measure, on a monthly basis, the Company's Actual gas Costs **(AC)** during the twelve month period for system supply natural gas purchases, against a Benchmark Cost **(BC)** during the same period to determine a Performance Value **(PV).**

The monthly **PV** shall be calculated as follows:

PV = (BC-COLML – AC-COLML) + (BC-COLTCO – AC-COLTCO) + (BC-TGP500 – AC-TGP500)

Where:

BC–COLML is calculated by the following formula:

BC-COLML = [[I(1) + I(2) + I(3)]/ 3] x MVCOLML

Where:

I(1) is the average of weekly *Natural Gas Week* posting for Columbia Gulf Mainline as Delivered to Pipeline.

I(2) is the average of the daily high and low *Platt's Gas Daily* posting for Columbia Gulf Mainline averaged for the month.

DATE OF ISSUE	April 13, 2015
DATE EFFECTIVE	April 1, 2015
ISSUED BY	Hubert A. Miller, Jr.
TITLE	President

Issued pursuant to an Order of the Public Service Commission in Case No. 2014-00350 dated March 27, 2015

KENTUCKY
PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN
EXECUTIVE DIRECTOR
TARIFF BRANCH
Bunt Kirtley
EFFECTIVE
4/1/2015
PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

I(3) is the Platt's *Inside FERC's Gas Market Report* first-of-the-month index posting (midpoint) for Columbia Gulf Mainline. N

MVCOLML is the monthly volumes purchased on the Columbia Gulf Mainline.

AC-COLML is the total, actual monthly cost of volumes purchased by Columbia on the Columbia Gulf Mainline.

BC–COLTCO is calculated by the following formula:

BC-COLTCO = [[I(1) + I(2) + I(3)]/ 3] x MVCOLTCO

Where:

I(1) is the average of weekly Natural Gas Week posting for Columbia Appalachia as Delivered to Pipeline.

I(2) is the average of the daily high and low Platt's Gas Daily posting for Columbia Appalachia averaged for the month.

I(3) is the Platt's Inside FERC's Gas Market Report first-of-the-month index posting (midpoint) for Columbia Appalachia.

MVCOLTCO is the monthly volumes purchased on the Columbia Gas Transmission Pipeline.

AC-COLTCO is the total, actual monthly cost of volumes purchased by Columbia on the Columbia Gas Transmission Pipeline.

BC-TGP500 is calculated by the following formula:

BC-TGP500 = [[I(1) + I(2) + I(3)]/ 3] x MVTGP500

Where:

I(1) is the average of weekly Natural Gas Week posting for Tennessee Gas Pipeline 500 Leg as Delivered to Pipeline.

I(2) is the average of the daily high and low Platt's Gas Daily posting for Tennessee Gas Pipeline averaged for the month.

I(3) is the Platt's Inside FERC's Gas Market Report first-of-the-month index posting (midpoint) for Tennessee Gas 500 Leg.

MVTGP500 is the monthly volumes purchased on the Tennessee Gas Pipeline 500 Leg.

AC-TGP500 is the total, actual monthly cost of volumes purchased by Columbia on the Tennessee Gas Pipeline 500 Leg.

DATE OF ISSUE April 13, 2015

DATE EFFECTIVE April 1, 2015

ISSUED BY Hubert A. Miller, Jr.
TITLE President

Issued pursuant to an Order of the Public Service Commission in Case No. 2014-00350 dated March 27, 2015

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JEFF R. DEROUEN
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COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

When the Company's Actual Cost for gas purchased in the month is less than the Benchmark Cost, the result for the month is a positive performance. When the Company's gas purchase costs are greater than the Benchmark Cost, the result for the month is a negative performance. The resulting negative or positive Performance Value (PV) will be shared between the Company and its sales customers pursuant to the GCA calculation. N

If the Company purchases gas at a point not reported in the applicable index publication. The Company will use the next closest index on the applicable pipeline upstream of the purchase point, and add to that index the 100% load factor cost of firm transportation on that pipeline between the index location and the purchase point.

Purchases made at Columbia's own city gate as well as any supply reservation fees are excluded from the GCI process and calculation.

If the index used to develop the Benchmark Cost ceases to exist or ceases to adequately report those prices required in the normal implementation of this GCI, the Company shall choose a suitable replacement index, assuming an acceptable index is available, and immediately report that change in writing to the Commission.

TCI

TCI = Transportation Cost Incentive. The Transportation Cost Incentive shall be calculated by comparing the annual Total Benchmark Transportation Costs **(TBTC)** of natural gas transportation services during the twelve month period to the annual Total Actual Transportation Costs **(TATC)** during the same period as follows:

TCI = (TBTC – TATC)

Where: **TBTC** = Annual sum of monthly **BTC**

BTC = Sum [BM (TCO) + BM (TGP) + BM (CKT) + BM (CGT) + BM (PPL)]

Where: BM (TCO) is the benchmark associated with Columbia Gas Transmission.

BM (TGP) is the benchmark associated with Tennessee Gas Pipeline Company.

BM (CKT) is the benchmark associated with Central Kentucky Transmission.

BM (CGT) is the benchmark associated with Columbia Gulf Transmission.

BM (PPL) is the benchmark associated with a proxy pipeline. This benchmark, which will be determined at the time of purchase, will be used to benchmark purchases of transportation capacity from nontraditional sources.

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DATE EFFECTIVE	April 1, 2015
ISSUED BY	Hubert A. Miller, Jr.
TITLE	President

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COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

The benchmark associated with each pipeline shall be calculated as follows: N

BM (TCO) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM (TGP) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM (CKT) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM (CGT) = (TPDR x DQ) + (TPCR x AV) + S&DB

BM (PPL) = (TPDR x DQ) + (TPCR x AV) + S&DB

Where:

TPDR is the applicable Tariffed Pipeline Demand Rate.

DQ is the Demand Quantities contracted for by the Company from the applicable transportation provider.

TPCR is the applicable Tariffed Pipeline Commodity Rate.

AV is the Actual Volumes delivered at Company's city gate by the applicable transportation provider for the month.

S&DB represents Surcharges, Direct Bills and other applicable charges approved by the Federal Energy Regulatory Commission (FERC).

The Total Actual Transportation Costs (TATC) paid by Company for the period shall include both pipeline demand and volumetric costs associated with natural gas pipeline transportation services as well as all applicable FERC approved surcharges, direct bills included in S&DB, less actual capacity release credits. Such costs shall exclude labor related or other expenses typically classified as operating and maintenance expenses.

Should one of the Company's pipeline transporters file a rate change effective during any period and bill such proposed rates subject to refund, the period over which the benchmark comparison is made for the relevant transportation costs will be extended for one or more 12 month periods, until the FERC has approved final settled rates, which will be used as the appropriate benchmark. Company will not share in any of the savings or expenses related to the affected pipeline until final settled rates are approved.

OSSI T,N

OSSI = Off-system Sales Incentive. The OSSI shall be equal to the revenues net of costs from off-system sales (other than those revenues generated by operational sales).

Results of operation sales, administrative capacity releases and Rate Schedule SVAS capacity assignments will be credited 100% to gas cost.

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TITLE President

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COLUMBIA GAS OF KENTUCKY, INC.

GAS COST ADJUSTMENT CLAUSE
APPLICABLE TO ALL RATE SCHEDULES
(Continued)

ASP

N

ASP = Applicable Sharing Percentage. The ASP shall be determined based on the Percentage of Actual gas costs **(PAC)**.

Where:

PAC = TPBR / AGC

Where:

AGC = Actual Gas Costs. AGC is the sum of the actual gas costs used in determination of the **GCI** and **TCI**.

If the absolute value of PAC is less than or equal to 2.0%, then the ASP of 30% shall be applied to the total savings or expenses of the TPBR. If the absolute value of the PAC is greater than 2.0%, then the ASP of 30% shall be applied to the amount of the sum of the TPBR that is equal to 2.0% of AGC to determine that portion of the total savings or expense, and the ASP of 50% shall be applied to the sum of the TPBR that is in excess of 2.0% of AGC to determine that portion of the total savings or expense.

Delivery Service

FERC approved direct billed pipeline supplier charges relating to the buyout of Take-or-Pay liabilities will be billed to Delivery Service Fixed Rate Volumes.

Banking and Balancing Service

This rate is based on the percentage of the portion of storage capacity allocated to Delivery Service Customers to Company's total annual storage capacity, applied to:

(1) Columbia Transmission's FSS seasonal capacity charge, annualized,

(2) Columbia Transmission's SST commodity charge, and

(3) Columbia Transmission's FSS injection and withdrawal charges as calculated in the Gas Cost Adjustment.

Interim Gas Cost Adjustments

Should any significant change in supplier rates occur, Company may apply to the Commission for an Interim Gas Cost Adjustment Clause in addition to the regular quarterly Gas Cost Adjustment Clause filings.

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