COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR A DECLARATORY ORDER OR IN THE ALTERNATIVE A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE INSTALLATION OF NEW CUSTOMER SERVICE SOFTWARE SYSTEM UPGRADES	)))))))	CASE NO. 2026-00129

ORDER

On June 4, 2026, Columbia Gas of Kentucky, Inc. (Columbia Kentucky) filed an application pursuant to 807 KAR 5:001, Section 19, KRS 278.020, and 807 KAR 5:001 for a Declaratory Order or, in the alternative, a Certificate of Public Convenience and Necessity (CPCN) authorizing a new customer service software system. There are no intervenors in this matter. Columbia Kentucky responded to one request for information from Commission Staff.[1] This matter now stands submitted to the Commission for a decision.

BACKGROUND

Columbia Kentucky provides natural gas service to approximately 139,000 residential, commercial, and industrial customers in Bath, Bourbon, Boyd, Bracken, Carter, Clark, Clay, Estill, Fayette, Floyd, Franklin, Greenup, Harrison, Jessamine, Johnson, Knott, Lawrence, Lee, Letcher, Lewis, Madison, Martin, Mason, Montgomery,

[1] Columbia Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request) (filed July 10, 2026).

Nicholas, Owsley, Pike, Robertson, Scott, and Woodford counties, Kentucky.[2] Columbia Kentucky is a subsidiary of NiSource Gas Distribution Group, Inc. (NiSource). Columbia Kentucky's most recent application for a general rate adjustment was filed on May 20, 2026.[3]

PROPOSED PROJECT

In its application, Columbia Kentucky proposed replacing its current information technology (IT) system with a cohesive, enterprise-wide IT solution anchored around a new Customer Information System.[4] Columbia Kentucky explained that a common design approach would reduce complexity, eliminate duplication, and enable unified customer operation.[5] The IT upgrades proposed by Columbia Kentucky include implementation of a customer information system (CIS), customer contact management (CCM), and digital experience platform (DXP).[6] Columbia Kentucky explained that the CIS is the core platform used to manage customer accounts, billing, and service-related information.[7] The CIS system would serve as the system of record for customer data which would enable accurate billing, payment processing, and tracking of services.[8] Columbia Kentucky further explained that the CIS system would be integrated with a new Contact Center as a Service (CCaaS) (together CCaaS-CIS), a cloud-based platform that

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[2] Application at 2.

[3] Case No. 2026-00099, *Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revision; and Other Relief* (filed May 20, 2026).

[4] Application, Exhibit B at 12.

[5] Application, Exhibit B at 12.

[6] Application, Exhibit B at 13–15.

[7] Application, Exhibit B at 13.

[8] Application, Exhibit B at 13.

enables the CIS to manage customer interactions including voice, chat, email, test messages, and social channels from a single unified platform.[9] According to Columbia Kentucky, the CCM is comprised of processes, systems, and technologies used to manage, track, and optimize all customer interactions across every communication channel.[10] The purpose of the CCM is to ensure customers can easily reach Columbia Kentucky, and Columbia Kentucky can respond efficiently, consistently, and intelligently.[11] Lastly, Columbia Kentucky stated the DXP would enable it to create, manage, deliver, and continuously optimize digital experiences across all customer touchpoints, including websites, mobile applications, and customer portals.[12] Columbia Kentucky explained that the three systems are separate IT solutions that can function independently on their own but are being built with common design in mind so they can interact with one another and provide a cohesive experience for customers and employees.[13]

The total cost of the project, at the NiSource enterprise level, is $770,640,573 broken down into $651,138,652 for the CIS, $7,762,900 for the CCaaS-CIS Integration, and $111,739,021 for the CCM and DXP.[14] In response to a request for information, Columbia Kentucky stated that it would be allocated approximately 3.64 percent of the

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[9] Application, Exhibit B at 13.

[10] Application, Exhibit B at 14.

[11] Application, Exhibit B at 14.

[12] Application, Exhibit B at 15.

[13] Application, Exhibit B at 15.

[14] Application, Exhibit B, Attachment KJ-1 at 1.

total costs to upgrade NiSource's IT system.[15] Columbia Kentucky stated that the CIS would cost $23,905,510, the CCaaS-CIS would cost $285,463, and the CCM and DXP would cost $4,103,442, for a total cost of $28,294,415.[16] Columbia Kentucky further stated that the IT system upgrades would be implemented over a four-year period[17] and that it would finance the project through the use of internally generated funds or through additional funding, if necessary.[18] Additionally, Columbia Kentucky stated it did not anticipate any increase in the ongoing operation and maintenance (O&M) costs nor did it anticipate the IT upgrades would materially affect customer rates or Columbia Kentucky's financial position.[19] Columbia Kentucky stated that it anticipated that the majority of costs for the various IT system upgrades will be charged to Columbia Kentucky on an allocated basis, and Columbia Kentucky's allocation factor for the total project is 3.64 percent.[20] Columbia Kentucky noted that it did not expect any material changes to its approximately $5.7 million of ongoing forecasted annual IT operation costs after the various IT systems are placed into service.[21]

Columbia Kentucky stated that its current IT systems were installed in the 1980s and 1990s and that due to the age of the systems, the software was in danger of no longer

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[15] Columbia Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request), Item 3; Columbia Kentucky's Response to Staff's First Request, Item 3, Attachment A.

[16] Application, Exhibit B, Attachment KJ-1

[17] Application, Exhibit B at 25.

[18] Application at 7.

[19] Application at 7.

[20] Columbia Kentucky's Response to Staff's First Request (Staff's First Request), Item 3; Columbia Kentucky's Response to Staff's First Request, Item 3, Attachment A.

[21] Application, Exhibit B at 26.

being supported by existing providers.[22] Additionally, Columbia Kentucky explained that the continued cost of operating and patching the IT systems has increased exponentially over time and has become challenging to find persons with the technical skills and capabilities to operate the old systems.[23] Columbia Kentucky also stated that NiSource received a letter in October 2025 from one of its current software vendors that it will no longer be providing support for one of the existing technology systems after December 31, 2025, which was extended to Q2 2027 following negotiations.[24] Columbia Kentucky further stated that the current IT systems have become so degraded and have reached or surpassed the end of their useful lives that any investment in the current system would only be a costly and temporary solution.[25] Specifically, Columbia Kentucky stated that upon the most recent assessment, conducted in 2025, Columbia Kentucky estimated that, as of 2026, approximately 70 percent of the customer technology environment supporting customer information, customer engagement, billing, contact center, and related functions were at or approaching end-of-life/end-of-support status and/or obsolete.[26]

Columbia Kentucky stated that it expects to seek recovery for costs associated with the Customer System Upgrades in rate cases that correlate with the timeframe of the costs being incurred or the assets being used and useful.[27]

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[22] Application at 4.

[23] Application at 4.

[24] Application at 5.

[25] Application at 5.

[26] Columbia Kentucky's Response to Staff's First Request, Item 5.

[27] Columbia Kentucky's Response to Staff's First Request, Item 8.

LEGAL STANDARD

KRS 278.020(1)(a) generally requires a utility to obtain a CPCN before beginning the construction of any plant, equipment, property, or facility. However, a CPCN is not required for "ordinary extensions of existing systems in the usual course of business."[28] An "ordinary extension . . . in the usual course of business" is not defined in KRS 278.020 or elsewhere in KRS Chapter 278. For that reason, the Commission promulgated 807 KAR 5:001, Section 15(3),[29] which states:

> Extensions in the ordinary course of business. A certificate of public convenience and necessity shall not be required for extensions that do not create wasteful duplication of plant, equipment, property, or facilities, or conflict with the existing certificates or service of other utilities operating in the same area . . . , and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.[30]

The Commission has interpreted 807 KAR 5:001, Section 15(3), as stating that no CPCN is required for extensions "that do not result in the wasteful duplication of utility plant, do not compete with the facilities of existing public utilities, and do not involve a sufficient capital outlay to materially affect the existing financial conditions of the utility involved or to require an increase in utility rates."[31]

Pursuant to 807 KAR 5:001, Section 19, the Commission may, upon application by a person substantially affected, "issue a declaratory order . . . with respect to the

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[28] KRS 278.020(1)(a).

[29] Case No. 2000-00481, *Application of Northern Kentucky Water District (A) For Authority to Issue Parity Revenue Bonds in the Approximate Amount of $16,545,000; and (B) A Certificate of Convenience and Necessity for the Construction of Water Main Facilities* (Ky. PSC Aug. 30, 2001), Order at 4.

[30] 807 KAR 5:001, Section 15(3).

[31] Case No. 2000-00481, Aug. 30, 2001 Order at 4.

meaning and scope of an order or administrative regulation of the commission or provision of KRS Chapter 278."[32] An application for a declaratory order must:

(a) Be in writing;
(b) Contain a complete, accurate, and concise statement of facts upon which the application is based;
(c) Fully disclose the applicant's interest;
(d) Identify all statutes, administrative regulations, and orders to which the application relates; and
(e) State the applicant's proposed resolution on conclusion.[33]

Any factual allegation in an application for a declaratory order must be supported by an affidavit or verified.[34] The Commission "may dispose of an application for a declaratory order solely on the basis of the written submissions filed"[35] or may allow for other actions, including additional discovery, to ensure that the record is complete.

DISCUSSION AND FINDINGS

Having reviewed the record and being otherwise sufficiently advised, the Commission grants the request for a Declaratory Order. The Commission finds that the proposed IT upgrade project is an extension in the ordinary course of business and does not require a CPCN pursuant to KRS 278.020(1)(a). The IT upgrade project is needed to address the aging IT system and its imminent obsolescence. As stated above, portions of Columbia Kentucky's current IT system will no longer be supported by the vendor after

[32] 807 KAR 5:001, Section 19(1); *see also* Case No. 2020-00095, *Electronic Application of Kenergy Corp. for a Declaratory Order* (Ky. PSC Mar. 11, 2021), Order at 4–5 (noting that Commission may issue a declaratory order, in its discretion, with respect to the meaning and scope of an order, regulation, or statute if a request is made by a person substantially affected).

[33] 807 KAR 5:001, Section 19(2).

[34] 807 KAR 5:001, Section 19(6).

[35] 807 KAR 5:001, Section 19(8); *see also* Case No. 2020-00095, Mar. 11, 2021 Order at 4–5 (noting that that Commission has discretion in whether to address an application for a declaratory order).

Q2 2027. For these reasons, the Commission finds that the proposed IT upgrade project would not create wasteful duplication.

Furthermore, the Commission finds that the IT upgrade project will not compete or conflict with any other existing utility; will not involve sufficient capital or material outlay; or immediately impact the financial condition of the utility in a manner resulting in a rate case. The IT upgrade project would be financed through the use of internally generated funds and/or through additional funding, if it becomes necessary. Columbia Kentucky does not anticipate any increase in ongoing operation and maintenance costs as a result of the IT upgrade project, and further does not anticipate that the IT upgrades alone would materially affect customer rates or Columbia Kentucky's financial position. Additionally, Columbia Kentucky's net plant in service as of December 31, 2025, is $736,437,334.[36] Columbia Kentucky's share of the total capital costs associated with the proposed project represent approximately 3.22 percent of Columbia Kentucky's net plant in service.[37] Therefore, the Commission finds an application for a CPCN should not be required as Columbia Kentucky's IT upgrade project meets all requirements outlined in KRS 278.020(1)(a)(3) and the exception in 807 KAR 5:001, Section 15(3). However, the Commission will defer the review of the impact the proposed project has on Columbia Kentucky's depreciation expense in its pending rate case.

[36] *Annual Report of Columbia Gas of Kentucky, Inc. to the Public Service Commission for the Year Ending December 31, 2025* (2025 Annual Report) at 14.

[37] Application, Exhibit B, Attachment KJ-1 at 2. Columbia Kentucky's share of the total capital costs to complete the proposed IT upgrades equals $23,730,434. Columbia Kentucky's share of the total capital costs to complete the proposed IT upgrades reflects approximately 3.22 percent of Columbia Kentucky's net plant in service of $736,437,334. ($23,730,434 / $736,437,334) * 100 = 3.222 percent.

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky's application for a declaratory order is granted.

2. Columbia Kentucky does not need to obtain a CPCN, pursuant to KRS 278.020(1)(a), for the purposed IT upgrade project as it is an ordinary extension in the usual course of business.

3. This Order is expressly limited to the IT upgrade project as described in the record of this proceeding. Any material modification to the IT upgrade project scope, funding, or financing may require further Commission approval.

4. Any external debt or equity financing needed, with a term longer than 24 months, in order to complete the IT upgrade project shall be reviewed and approved by the Commission prior to any issuance of external financing, pursuant to KRS 278.300.

5. Columbia Kentucky shall file notice of completion of the IT upgrade project within 30 days of its completion.

6. Any documents filed pursuant to ordering paragraph 5 herein shall reference this case number and shall be retained in the post-case correspondence file for this proceeding.

7. This case is closed and removed from the Commission's docket.

Entered on this 6th day of August, 2026.

PUBLIC SERVICE COMMISSION

Angie Hatton
Chair

Mary Pat Regan
Vice Chair

Andrew W. Wood
Commissioner

Barry L. Mayfield
Commissioner

ATTEST:

Justin McNeil RP

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Executive Director

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