

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION  
TO THE ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), pursuant to 807 KAR 5:001, is to file with the Commission the original and six copies in paper medium and an electronic version of the following information. The information requested herein is due on, or before September 30, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

The AG shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

the AG fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a document containing personal information, the AG shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to the Direct Testimony and Exhibits of Lane Kollen (“Kollen Testimony”), page 4, Summary of Attorney General Recommendations table. Provide descriptions of all items included and the associated amounts for the recommended \$7.315 million reduction on the line titled Reduce Requested O&M Expense Increase.

2. Refer to the Kollen Testimony, pages 5–8. Columbia Gas of Kentucky, Inc.’s (“Columbia”) proposed test-year operation and maintenance (“O&M”) expenses are identified as \$44.170 million. Explain how \$36.855 million was selected as the amount that Mr. Kollen has recommended for annual O&M expenses.

a. Refer to the Kollen Testimony, pages 11–13, and Exhibit\_(LK-8). Given that Columbia’s response to Commission Staff’s First Request for Information, Item 33, showed an average actual employee headcount in 2015 of 142, explain why Mr. Kollen recommends an adjustment using a three-year-old forecasted headcount of 131.

3. Refer to the Kollen Testimony, page 10, where it states, “The Company has been subject to the Distribution Integrity Management requirements since 2011 and already complies with those requirements that are discussed at length by Company witness Mr. Cote.”

a. Explain in detail the basis for stating that Columbia already complies with the requirements in its Distribution Integrity Management Plan (“DIMP”).

b. Identify and describe the impact of all new regulations since 2011 affecting the DIMPs and Transmission Integrity Management Plans of gas distribution companies.

c. Identify all cases in which Mr. Kollen has been involved since 2011 involving DIMPs, a summary of the issues, and outcomes in each case, and a copy of all relevant information in those cases.

d. Identify and describe any other options Mr. Kollen is aware of that provide cost recovery related to DIMP compliance.

4. Refer to the Kollen Testimony, pages 18–20. Explain how \$16.326 million was selected as the amount that Mr. Kollen has recommended for annual NiSource Corporate Services Company management fee expense.

5. Refer to the Kollen Testimony, pages 21–26 regarding Columbia’s proposal for changing its depreciation rates from the Average Service Life (“ASL”) procedure to the Equal Life Group (“ELG”) procedure.

a. Identify all cases in which Mr. Kollen has been involved regarding proposed changes in depreciation rates from the ASL procedure to the ELG procedure,

a summary of the issues and outcomes in each case, and a copy of all relevant information in those cases.

b. Refer to page 24 regarding the discussion of the accuracy of the ELG procedure versus the ASL procedure. Confirm that the ELG procedure results in depreciation rates that are higher in early years and decrease in later years, whereas straight line depreciation is typically utilized for ratemaking purposes.

c. Refer to page 24 where it states, "Second, although the ELG procedure requires a more refined stratification of the data, this stratification is itself the result of judgement and assumptions, which are subject to the discretion of the analyst and easily biased, whether intentionally or unintentionally." Identify and describe any judgements or assumptions utilized in the stratification of the data made by Columbia's analyst which Mr. Kollen found biased or otherwise questionable.

6. Refer to the Kollen Testimony, pages 38–40, where, among other things, Mr. Kollen states that "the one-eighth O&M expense methodolog" for determining an allowance for cash working capital" is outdated and inaccurate. The methodology is simple, but does not reflect the leads and lags in the Company's operating cash flows," and, "I recommend that the Commission set the Company's cash working capital at \$0 in the absence of a properly performed lead/lag study, even though there is little doubt that it should be negative."

a. Mr. Kollen refers to lead/lag studies performed by NiSource utilities operating in other states resulting in negative cash working capital ("CWC") when "properly adjusted." Explain whether any of these studies were "properly adjusted" in

the jurisdictional commission's decision, or whether the adjustments which result in a negative CWC are adjustments made by Mr. Kollen or by his firm.

b. Identify all Kentucky cases in which Mr. Kollen filed testimony with the Commission wherein he opposed using the one-eighth O&M expense method to derive the allowance for CWC.

c. Identify any of the cases cited in response to part b. of this request in which the Commission adopted a recommendation by Mr. Kollen to use something other than the one-eighth O&M method to derive the CWC allowance.

d. Given his statement that "there is little doubt that it [Columbia's CWC] should be negative" explain why Mr. Kollen did not perform a lead/lag study in order to present a CWC allowance less than \$0 for Columbia.

7. Refer to the Kollen Testimony, page 48, line 19, and page 49, lines 1 and 2, which state, "The proposed AMRP rider tariff language suggests that there would be a change in accounting if the Commission adopts the Company's proposal to include the costs of plastic pipe in the AMRP and to recover the costs through the AMRP rider." Identify the specific language in Columbia's proposed Accelerated Main Replacement Program tariff this statement is referencing.

8. State whether the AG is aware that the Commission approved the request of Louisville Gas and Electric Company to include the replacement of Aldyl-A plastic pipe in its Gas Line Tracker in Case No. 2015-00360.<sup>1</sup>

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<sup>1</sup> Case No. 2015-00360, *Application of Louisville Gas and Electric Company for Approval of Revised Rates to be Recovered Through its Gas Line Tracker Beginning with the First Billing Cycle for January, 2016* (Ky. PSC Jan. 28, 2016).

9. Refer to the Direct Testimony and Exhibits of Richard A. Baudino (“Baudino Testimony”), page 10. State whether any information contained in the most current (September 2, 2016) issue of the Value Line Investment Survey causes any change in the calculations, testimony, or recommendation with regard to Return on Equity for Columbia.

10. Refer to the Baudino Testimony, pages 16–17. Describe the specific risks of Columbia with regard to the three major categories of business risk identified, and indicate how Columbia contributes specifically to, or tends to alleviate, those risks for NiSource, Inc.

11. Refer to the Baudino Testimony, page 20. Explain why a period shorter than six months is not used to calculate a more current dividend yield.

12. Refer to the Baudino Testimony, pages 22–23 and Exhibit RAB-4.

a. Explain why the current dividend yield is multiplied by one plus one-half the expected growth rate (“g”) instead of simply multiplying by g.

b. Explain why median values are included in evaluating investor-expected growth rates.

c. Explain whether the internal growth rates as shown in column (3) in the table at the top of Exhibit RAB-4 are used in calculating the expected dividend yields in the table at the bottom of that Exhibit.

13. Provide Exhibits RAB-3 through RAB-6 to the Baudino Testimony in Excel spreadsheet format, with all cells unprotected and with individual formulas or equations accessible in all cells so the calculations can be followed.



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DATED SEP 16 2016

cc: Parties of record

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