

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE PUBLIC SERVICE COMMISSION
ORDER DATED MAY 8, 2007**

Question No. 25

Refer to the response to the Staff's Second Request, Item 74. Columbia was requested, for the second time, to provide comparative schedules showing by months for the test year and the year preceding the test year the total company balance in each gas plant and reserve account or subaccount included in Columbia's chart of accounts. Columbia submitted plant account and subaccount information in four attachments to the response in Item 74. However, the requested comparison of account balances was not provided, as was requested originally in the Commission Staff's First Data Request dated January 25, 2007, Item 16, and in Item 74.

- a. Using the monthly ending balance data contained in the response to Item 74, prepare the comparison of gas plant and reserve accounts previously requested. Organize the data using the format attached to this data request.
- b. Refer to the response to part (a) above. Using the "12th Month" balances for the test year and the previous 12-month period, for each account where the change in the 12th Month balance is at least 10 percent and \$500,000 or more, explain the reason(s) for the change in the account balance. The change in the balance can be either positive or negative.

Response of Columbia Gas of Kentucky:

- a. Attached is the comparison of general ledger gas plant and reserve accounts previously requested in Staff's Second Request No. 74 using the format attached to this data request in an Excel spreadsheet and a compact disc (CD) format. Totals have been omitted because totals have no relevance since the values are balances at the end of each month.
- b. Only utility account 376.00 (Mains) for general ledger (G/L) account 106 (Completed Construction not Classified) and G/L account 107 (Construction Work in Progress) satisfy both criteria.
 - For G/L account 106, the variance represents costs of \$1.4 million transferred from Construction Work in Progress to Completed Construction Not Classified as the Loudon Avenue Relocation project in the Lexington area was placed in service.

Public Service Commission Data Request Set 3
Question No. 25 (Cont'd)
Columbia Gas of Kentucky Respondent: **Kelly Humrichouse**

- For G/L account 107, the variance represents costs recorded in conjunction with a large pipeline extension project involving approximately 38,500 feet of 12" pipe in the Georgetown, Kentucky area. The project is known as the DE Extension, or Lake Carnico project. Costs recorded through the test year were approximately \$3.0 million.

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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
303.30 Intangible Plt Misc Software												
Test Year	1,164	1,213	1,252	1,252	1,252	1,252	1,252	1,277	1,277	1,277	784	869
Prior Year	1,149	1,237	1,237	1,237	1,023	1,023	1,134	1,164	1,164	1,164	1,164	1,164
Increase	15	0	14	14	228	228	118	113	113	113	0	0
Decrease	0	(24)	0	0	0	0	0	0	0	0	(380)	(295)

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
304.10 Land												
Test Year	8	8	8	8	8	8	8	8	8	8	8	8
Prior Year	8	8	8	8	8	8	8	8	8	8	8	8
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
374.20 Land Other Distribution Sys												
Test Year	880	880	880	880	880	881	880	880	880	880	880	879
Prior Year	881	881	881	881	881	881	881	880	880	880	880	880
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0	0	0	0	(1)

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 With Those of the Preceding Year
 000 Omitted
 101 - Gas Plant in Service
 387.45 Other Equip Telemetering

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	934	934	934	968	1,014	1,029	1,029	1,029	1,029	1,031	1,031	1,031
Prior Year	964	964	974	974	971	971	936	936	936	936	938	938
Increase	0	0	0	0	43	58	93	93	93	95	93	93
Decrease	(30)	(30)	(41)	(7)	0	0	0	0	0	0	0	0

Columbia Gas of Kentucky
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 With Those of the Preceding Year
 000 Omitted
 101 - Gas Plant in Service
 387.46 Other Equip Customr Info Srv

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	127	127	127	127	127	127	127	127	127	127	127	127
Prior Year	127	127	127	127	127	127	127	127	127	127	127	127
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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 Comparison of Total Company Test Year Account Balances
 With Those of the Preceding Year
 000 Omitted
 101 - Gas Plant in Service
 391.10 OF&E Unspecified

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	1,256	1,256	1,252	1,252	1,252	1,252	1,252	1,252	1,252	1,252	1,252	1,252
Prior Year	1,296	1,296	1,258	1,258	1,258	1,259	1,259	1,256	1,256	1,256	1,256	1,256
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	(40)	(40)	(5)	(5)	(7)	(7)	(7)	(4)	(4)	(4)	(4)	(4)

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With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
392.21 Trans Eq Trailers \$1000 or <												
Test Year	3	3	3	3	3	3	3	3	3	3	3	3
Prior Year	3	3	3	3	3	3	3	3	3	3	3	3
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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Comparison of Total Company Test Year Account Balances
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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
393.00 Stores Equipment												
Test Year	0	0	0	0	0	0	0	0	0	0	0	0
Prior Year	14	14	0	0	0	0	0	0	0	0	0	0
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	(14)	(14)	0	0	0	0	0	0	0	0	0	0

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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
394.10 Tools Garage & Service Eq												
Test Year	32	32	27	27	27	27	27	27	27	27	27	27
Prior Year	30	30	29	29	29	29	29	29	29	32	32	32
Increase	2	2	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(5)	(5)	(5)

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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
395.00 Laboratory Equipment Gas												
Test Year	10	10	10	10	10	10	10	10	10	10	10	10
Prior Year	11	11	10	10	10	10	10	10	10	10	10	10
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
396.00 Power Operated Equipment												
Test Year	681	681	681	681	681	681	681	681	681	681	681	681
Prior Year	681	681	681	681	681	681	681	681	681	681	681	681
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
101 - Gas Plant in Service												
398.00 Miscellaneous Equipment												
Test Year	101	101	100	100	100	100	100	100	100	100	100	100
Prior Year	133	133	104	104	104	104	104	104	101	101	101	101
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	(32)	(32)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(1)	(1)	(1)

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
106 - Completed Construction not Classified												
375.40 Str Regulating												
Test Year	1	1	6	6	12	13	9	17	10	10	1	1
Prior Year	8	8	10	10	10	10	1	1	1	1	1	1
Increase	0	0	0	0	2	3	9	17	10	10	0	0
Decrease	(7)	(7)	(4)	(4)	(4)	0	0	0	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
106 - Completed Construction not Classified												
375.70 Str Other Distribution Sys												
Test Year	44	8	8	8	8	8	8	8	8	8	8	8
Prior Year	12	8	8	8	44	44	44	44	44	44	44	44
Increase	32	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	(36)	(36)	(36)	(36)	(36)	(36)	(36)	(36)

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
106 - Completed Construction not Classified												
376.00 Mains												
Test Year	1,274	1,388	1,018	999	1,085	1,212	1,128	1,341	2,651	2,416	2,347	2,406
Prior Year	3,391	3,574	3,542	3,432	2,887	2,035	1,555	1,534	1,340	1,682	2,000	1,315
Increase	0	0	0	0	0	0	0	0	1,311	734	347	1,091
Decrease	(2,117)	(2,186)	(2,524)	(2,433)	(1,802)	(822)	(427)	(193)	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
107 - Construction Work in Progress												
376.00 Mains												
Test Year	1,284	1,773	4,102	4,515	5,143	5,772	6,025	6,382	5,319	5,885	6,066	2,309
Prior Year	1,427	1,379	133	(274)	211	318	534	595	799	681	549	588
Increase	0	394	3,969	4,790	4,932	5,455	5,492	5,787	4,520	5,204	5,517	1,721
Decrease	(144)	0	0	0	0	0	0	0	0	0	0	0

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 With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
107 - Construction Work in Progress												
378.20 Mea & Reg Sta Eq Regulating												
Test Year	87	92	134	116	118	120	120	128	144	145	152	147
Prior Year	55	26	47	50	68	85	44	44	42	56	72	74
Increase	32	66	87	66	50	35	76	83	102	89	80	73
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
107 - Construction Work in Progress												
380.00 Services												
Test Year	49	35	25	11	19	10	20	17	55	84	48	71
Prior Year	155	228	52	39	26	21	24	26	25	39	284	531
Increase	0	0	0	0	0	0	0	0	30	45	0	0
Decrease	(105)	(193)	(27)	(28)	(7)	(10)	(5)	(9)	0	0	(236)	(459)

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000 Omitted
107 - Construction Work in Progress
381.00 Meters

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	1	1	1	9	73	80	92	93	140	169	1	1
Prior Year	732	254	1	23	64	1	1	1	1	(3)	1	1
Increase	0	0	0	0	9	79	92	92	139	172	0	0
Decrease	(732)	(254)	0	(13)	0	0	0	0	0	0	0	0

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000 Omitted
107 - Construction Work in Progress
381.10 Meters

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	(20)	(20)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	(7)	0
Prior Year	84	91	97	96	103	105	112	119	125	28	34	(10)
Increase	0	0	0	0	0	0	0	0	0	0	0	10
Decrease	(104)	(111)	(105)	(104)	(111)	(112)	(119)	(126)	(133)	(35)	(42)	0

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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year

000 Omitted
107 - Construction Work in Progress
382.00 Meter Installations

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	234	237	236	242	246	248	254	260	265	265	93	94
Prior Year	226	236	186	186	182	192	200	204	207	214	240	254
Increase	7	0	50	56	63	57	54	56	59	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	(120)	(147)	(159)

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 Comparison of Total Company Test Year Account Balances
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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
108 - Accumulated Provision for Depreciation												
375.20 Str City Gate Mea & Reg												
Test Year	5	5	5	5	5	6	6	6	6	6	6	6
Prior Year	5	5	5	5	5	5	5	5	5	5	5	5
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
108 - Accumulated Provision for Depreciation												
375.30 Str General Mea & Reg												
Test Year	11	11	11	11	11	11	11	11	11	11	11	11
Prior Year	11	11	11	11	11	11	11	11	11	11	11	11
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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 Comparison of Total Company Test Year Account Balances
 With Those of the Preceding Year

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
000 Omitted												
108 - Accumulated Provision for Depreciation												
375.40 Str Regulating												
Test Year	296	294	295	295	295	296	292	293	293	293	294	296
Prior Year	304	305	304	305	306	300	302	291	292	292	293	295
Increase	0	0	0	0	0	0	0	1	1	1	1	1
Decrease	(8)	(11)	(9)	(10)	(10)	(3)	(10)	0	0	0	0	0

Columbia Gas of Kentucky
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 Comparison of Total Company Test Year Account Balances
 With Those of the Preceding Year

000 Omitted

111 - Accumulated Provision for Amortization

303.00 Intangible Plt General

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	97	97	98	98	99	99	100	100	101	101	102	102
Prior Year	91	91	92	92	93	93	94	94	95	95	96	96
Increase	6	6	6	6	6	6	6	6	6	6	6	6
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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 Comparison of Total Company Test Year Account Balances
 With Those of the Preceding Year

000 Omitted

111 - Accumulated Provision for Amortization

303.10 Intangible Plt DIS Software

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	13	13	13	13	13	13	13	13	13	13	13	0
Prior Year	725	725	12	12	12	12	12	12	12	13	13	13
Increase	0	0	1	1	1	1	1	1	1	0	0	0
Decrease	(712)	(712)	0	0	0	0	0	0	0	0	(13)	(13)

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 With Those of the Preceding Year

000 Omitted

111 - Accumulated Provision for Amortization

303.30 Intangible Plt Misc Software

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	851	883	901	918	935	951	968	985	1,002	1,019	542	560
Prior Year	901	924	946	962	725	753	759	774	790	805	820	836
Increase	0	0	0	0	209	199	209	211	212	214	0	0
Decrease	(50)	(41)	(45)	(44)	0	0	0	0	0	0	(278)	(276)

Columbia Gas of Kentucky
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Comparison of Total Company Test Year Account Balances
With Those of the Preceding Year
000 Omitted
111 - Accumulated Provision for Amortization
375.71 Str Other Dist Sys Leased

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	53	54	55	56	57	57	57	58	59	60	61	62
Prior Year	43	44	45	46	46	47	47	48	49	50	51	52
Increase	10	10	10	10	10	10	10	10	10	10	10	10
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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With Those of the Preceding Year
000 Omitted
111 - Accumulated Provision for Amortization
391.10 OF&E Unspecified

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	440	445	447	452	457	462	467	473	478	483	488	494
Prior Year	413	418	388	393	398	403	408	414	419	424	429	435
Increase	27	27	59	59	59	59	59	59	59	59	59	59
Decrease	0	0	0	0	0	0	0	0	0	0	0	0

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000 Omitted
111 - Accumulated Provision for Amortization
391.11 OF&E Data Handling Equip

	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Test Year	2	2	(6)	(6)	(6)	(6)	(6)	(6)	(5)	(5)	(5)	(5)
Prior Year	68	69	(2)	(1)	(1)	(1)	(1)	1	1	1	1	2
Increase	0	0	0	0	0	0	0	0	0	0	0	0
Decrease	(66)	(67)	(5)	(5)	(5)	(5)	(5)	(6)	(6)	(6)	(6)	(6)

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
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ORDER DATED MAY 8, 2007**

Question No. 26

Refer to the response to the Staff's Second Request, Item 77. Provide a schedule listing all lobbying expenses incurred during the test year that related to issues of workplace safety, customer rates, pipeline location requirements, and reducing customer risks.

Response of Columbia Gas of Kentucky:

In reference to Columbia's response to Staff's Second Request, Item 77, the list of issues for which there may be lobbying expenses is not an exclusive list, but was provided by way of example. During the test year, lobbying expenses as disclosed in Columbia's response to Staff's First Request, Item 30, were filed as part of a public record with the Kentucky Legislative Ethics Commission and reflected numerous legislative initiatives monitored by Columbia. In the 2006 General Assembly, bills were introduced that included the following issues: utilities buying synthetic gas from coal (SB 131); exempting greenhouses and nurseries from sales tax on natural gas (HB 29); concealed weapons – with no exemptions for employer worksites (HB 243, 290); appropriation of \$10 million for low-income energy assistance plans (HB 283); establishing utility energy assistance programs (HB 742); exempting intrastate natural gas transmission pipeline equipment from sales tax (HB 678); requesting the PSC to disapprove utility rate increases in 2006 (H Con Res 28) and multiple eminent domain bills. The lobbying expenses of the salaried Columbia employee reported in above Item 30 (and therefore Item 77 above), were for the purposes of monitoring, analyzing and communicating about these, and other legislative activities. All of the reported expenses included the employee's apportioned salary expense; travel to and from legislative related meetings, meals and lodging, supplies and related expense. Columbia does not track these expenses on an issue-by-issue basis.

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Question No. 27

Refer to the response to the Attorney General's First Data Request dated April 10, 2007 ("AG's First Request"), Item 7. Was Mr. Humrichouse aware that in previous rate cases utilizing the historic test year, the Commission has normally reflected the proposed adjustment to depreciation expense as an adjustment to the accumulated depreciation balance utilized in the calculation of the rate base? Explain the response.

Response of Columbia Gas of Kentucky:

Columbia is aware that, in other cases, the Commission has included proposed adjustments to depreciation expense as an adjustment to the accumulated depreciation balance utilized in the calculation of rate base. As explained in response to AG-1-7, such an adjustment would have the effect of reducing Columbia's rate base by an amount not yet recovered from customers, which would be inappropriate. The linkage between allowance for depreciation expense (return of) and return on rate base (return on) capital expenditures made by a utility is that until the utility's investment in an asset is recovered from the customers through incorporating an approved level of depreciation in rates, then the utility should recover a fair and reasonable return on the existing or remaining unrecovered investment. This linkage would be broken by reducing rate base for a depreciation level not yet incorporated in, billed, and recovered through rates.

Furthermore, the adjustment to the accumulated reserve is just one side of the rate base equation. Using the end of test year level of rate base provides a reasonable estimate of the rate base level expected to be in place and funded by investors during the first twelve months rates are in effect. Including an adjustment to the reserve, without any recognition of any future plant additions, particularly non-revenue plant additions, distorts the level of rate base expected to be in effect during the first twelve months of the new rates. Absent the plant additions from Columbia's Accelerated Main Replacement Program which will be addressed through Columbia's proposed Accelerated Main Replacement Rider, Columbia believes the rate base it proposed in this case represents the level that will be effect during the rate year.

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Question No. 28

Refer to the response to the AG's First Request, Item 9. Explain in detail the rationale behind Columbia's current accounting treatment for materials and supplies, which utilizes a miscellaneous deferred debit account. Indicate in this response if this accounting treatment is required by the Securities and Exchange Commission.

Response of Columbia Gas of Kentucky:

Account 186-9999-12357, Miscellaneous Deferred debit – Mutual Material, includes the same type of material and supplies (“M&S”) as account 154, Plant Material and Operating Supplies, i.e., materials purchased primarily for use by Columbia of Kentucky in its business for construction, operations and maintenance. Prior to outsourcing Columbia's inventory management, M&S purchases were recorded directly to account 154. Now, they are cleared through account 186-9999-12357 before being transferred to account 154. While a zero balance is targeted, due to pricing and timing this does not always occur. The amounts should be included in rate base as a capital investment similar to account 154 since they are the same type of costs. While accounting treatment is not required by the Securities and Exchange Commission it is consistent with Generally Accepted Accounting Principles.

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Question No. 29

Refer to the response to the AG's First Request, Item 12, Attachment 1. Explain the negative ending balance and average rate per decatherm in 2003, 2004, 2005 and 2007.

Response of Columbia Gas of Kentucky:

The negative balance and rate is a result of using a LIFO (last in–first out) method to value storage. Under this method, an average annual anticipated rate is developed and used for a calendar period. This rate is adjusted quarterly, and all activity to date in that calendar year is adjusted to reflect the most recent developed quarterly rate. The updated quarterly rate remains a partially estimated annual rate for the calendar year activity but includes known costs to date in the respective year. The LIFO rate used in December is based on actual gas expense information for the year and all injection and withdrawal activity for that year is adjusted to this actual rate. A current year LIFO rate is used when the anticipated injection/withdrawal activity for the upcoming year is not a net withdrawal. This is generally the case.

As an example, the December 2003 ending volume in storage is 4,128,063 DTH and the December 2002 ending volume in storage is 4,924,567 DTH. The net withdrawal activity for 2003 of 796,504 would have been removed from the storage dollar balance by using a rate representative of prior years' layer(s). However, as of December 2004 the ending volume in storage is 4,258,368 DTH. This increase in volume from the prior year end balance of 130,305 was valued at a 2004 average gas cost rate. These annual LIFO rates are not shown on Attachment 1 pages 1 and 2 of 2, as provided in response to the AG's First Request, Item 12, as this initial request asked for actual volumes in DTH, actual average monthly rates and actual resulting dollar balances.

The negative rate and balances occur when withdrawals in the heating season at the beginning of a calendar period are priced at an estimated LIFO rate for the year which when applied to the withdrawal volume is higher than the ending storage dollar balance from the prior year-end.

For example, at the end of 2003 the storage volume balance was 4,128,063 and the dollar balance was \$8,849,908 equating to an average rate in storage of \$2.14. This volume and dollar balance represents more than one year's layer of storage. Some layers could have a rate higher than \$2.14 and others lower than this average.

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Question No. 29 (Cont'd)
Columbia Gas of Kentucky Respondent: **Kelly Humrichouse**

However, in January 2004, a withdrawal of 1,599,196 DTH was made at an average estimated annual LIFO rate for 2004 of \$6.05. In other words, a withdrawal of \$9,674,949 was made (1,599,196 DTH X \$6.0499). The \$6.0499 represented an estimated average annual 2004 gas cost rate. The actual average annual LIFO rate used for 2004, once all actual was known, was \$6.9983 or $(\$9,761,823 \text{ December 2004 Storage Value} - \$8,849,908 \text{ December 2003 Storage Value} = \$911,915) \text{ divided by } (4,258,368 \text{ December 2004 DTH} - 4,128,063 \text{ December 2003 DTH} = 130,305 \text{ annual net injection})$.

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Question No. 30

Refer to the response to the AG's First Request, Item 21. Columbia states that it estimated the "behavior" factor based on an expected decrease in occurrences if the proposed increase in miscellaneous revenue items is implemented.

- a. When Columbia has increased its miscellaneous charges in the past cases, did it experience a decrease in the occurrences of those charges?
- b. If yes, provide the percentage decrease in the occurrences.

Response of Columbia Gas of Kentucky:

- a. The miscellaneous charges for reconnection of service due to disconnection and returned checks were last increased in 1983 and 1994, respectively. Columbia does not have records going back far enough to document its experience in these cases. However, as provided in the testimony of Columbia witness Gresham at page 3, lines 1 through 13 regarding customer usage, Columbia's experience with natural gas prices in more recent years clearly exhibits that customers' response to rising prices is to decrease the number of occurrences.
- b. N/A

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Question No. 31

Refer to the response to the AG's First Request, Item 65. Explain in detail why the \$9,500 for charges relating to public and community relations and civil affairs should be included for rate-making purposes.

Response of Columbia Gas of Kentucky:

Participation in local business, community, civic events and activities, and charitable activities provides a benefit to customers by giving Columbia an opportunity to communicate with its customers and other stakeholders, promote natural gas and energy safety and conservation, and support the community. Columbia's customers and the entire community benefit from the support of local economic efforts, and such activities have become a normal practice in the business community. As such, Columbia should be entitled to recover such costs.

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Question No. 32

Refer to the response to the AG's First Request, Item 67. Based on the definitions of the American Gas Association ("AGA") functional cost centers, explain why an adjustment based on the budget percentages applicable to "Policy, Planning & Regulatory Affairs" and "Public Affairs" should not be made to reduce the test-year AGA dues expense for rate-making purposes.

Response of Columbia Gas of Kentucky:

AGA provides a bundled service. As a customer of the AGA, a utility does not have the ability to pick and choose services. In this way, the AGA fee is not unlike many fees for services and products which are recoverable in the rate-making process. "Policy, Planning and Regulatory Affairs" provides Columbia with updates on current regulatory issues such as: purchase gas adjustments, weather normalizations, low income assistance programs, and others. The AGA Rate Committee develops studies and research projects on matters pertaining to rate of return, rate base, rate design, revenue requirements, rate administration, rate case presentations, the impact of rates on load growth and financial results, and the analysis of trends in innovative rate structures. The AGA Regulatory Affairs also covers costs associated with providing the utilities opportunities to participate in audio conferences with other utilities. Many other Policy, Planning and Regulatory Affairs services can be reviewed at www.aga.org. "Public Affairs" provides information about many pertinent items such as: distribution pipeline safety requirements and system compliance, environmental matters, natural gas prices and supply. Many other helpful topics can be found at the website noted above.

Columbia believes the AGA provides many useful services and much information, including that noted above, that ultimately is beneficial to Columbia's customers. Columbia and its customers benefit from the many things that AGA provides that keep members current on a myriad of industry issues, from environmental matters, to pipeline safety issues, to supply availability. For any one company to stay abreast of so many far-ranging topics would be difficult and costly; for AGA to provide members such information and service is extremely cost-effective and efficient. It is for these reasons that Columbia believes this portion of the AGA dues should not be excluded from test year expense.

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Question No. 33

Refer to the response to the Lexington-Fayette Urban County Government's First Data Request dated April 10, 2007, Item 13. Columbia provided a list of addresses for every location in Fayette County where a customer can go to pay a bill or have a question answered in a face-to-face setting.

- a. Are these locations actually dedicated to Columbia business or are they other businesses that accept payments from Columbia customers?
- b. If these locations are other businesses that accept payments from Columbia customers, describe the training the businesses receive in order to answer questions from Columbia customers.

Response of Columbia Gas of Kentucky:

- a. The Columbia Gas location is dedicated to Columbia business. The other locations accept payments from Columbia customers.
- b. The other business locations are only trained to accept customer payments. They refer all other questions to Columbia's customer service number.