



Columbia Gas of Kentucky Respondent: **Susanne M. Taylor and Kelly Humrhouse**

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

**Question No. 17**

Regarding response to AG-1-62: Provide a detailed description of the nature of the \$16,940.50 expenses for Marketing Services by Vectra. In addition, provide representative copies of the advertising.

**Response of Columbia Gas of Kentucky:**

Provided in Table AG-2-017 is a detailed description of the \$16,940.50 billed to Columbia Gas of Kentucky from NCSC for Marketing Services by Vectra.

**Table AG-2-017**

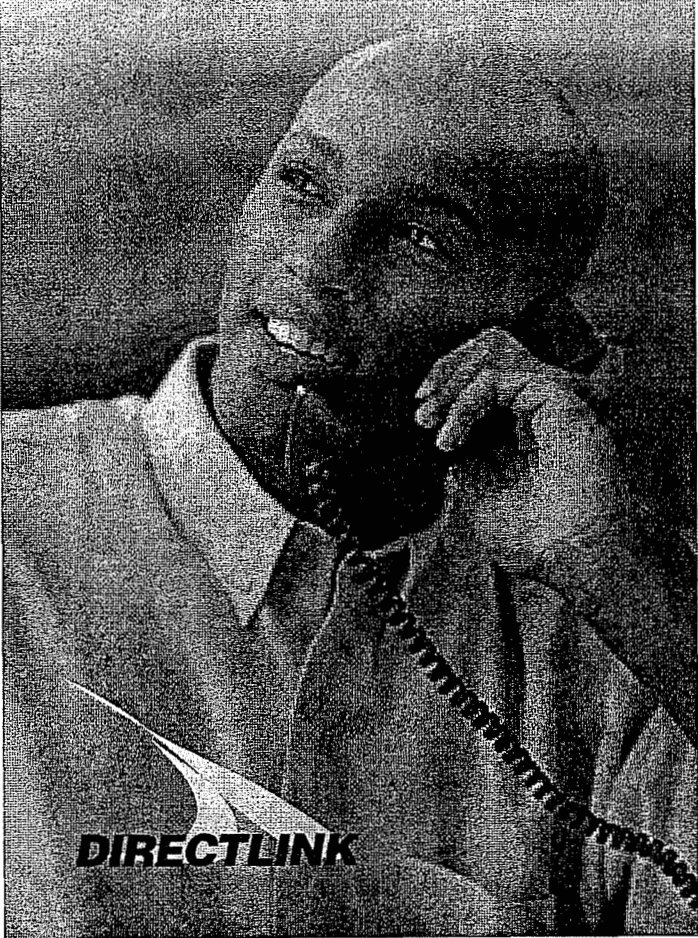
<b>Attachment No.</b>	<b>Month Billed to CKY</b>	<b>Description</b>	<b>Amount</b>
1	October 2005	DirectLink e-Services Insert	\$1,381.73
2	October 2005	Annual Budget Promotion Insert	\$1,510.08
3	November 2005	Customer Newsletter GasLines	\$2,056.64
4	November 2005	Kentucky Welcome Brochure	\$1,260.26
5	January 2006	Pocket Cards	\$146.04
6	February 2006	Common Bill Format Tutorial Insert	\$3,553.78
7	March 2006	Safety & Comfort Inserts	\$2,072.92
8	March 2006	GasLines Quarterly Inserts	\$2,249.21
9	May 2006	Budget Review Inserts	\$409.78
10	June 2006	GasLines Quarterly Inserts	\$2,300.06
		<b>Total</b>	<b>\$16,940.50</b>

2007-00008 AG Set 2 – 017 Attachments 1-10 provides representative copies of the Marketing Services by Vectra advertising.

# Columbia Gas DirectLink

**1-800-432-9345**

Service, convenience, accuracy and reliability  
with one call anytime day or night





# Columbia Gas DirectLink

**1-800-432-9345**

Call toll-free 24 hours a day, 365 days a year

**Billing and Payment Information, Press 1  
Termination Notices, or Meter Reading**

**Current Accounts** - DirectLink will automatically tell you your account balance, the last payment amount and when it was received, and the next due date.

Repeat account information	Press 1
Payment options	Press 2, then Press 1
• Budget Payment Plan	Press 1
• Payment methods	Press 2
• Report payment**	Press 3
• Payment arrangements*	Press 4
• Assistance programs	Press 5
Meter reading	Press 3, then Press 1
• Submit reading	Press 1
• Next actual reading date	Press 2
• How to read your meter	Press 3
• Other meter issues*	Press 4
Other billing inquiries*	Press 4

**Termination Notices** - If you're calling about a termination notice you've received, DirectLink will automatically tell you the amount due and the scheduled termination date.

Report payment	Press 1
Make payment	Press 2
Locate payment centers*	Press 3
Payment arrangements*	Press 4
Assistance programs	Press 5

*Continued on other side*

**It's our promise to you . . .** to deliver accurate answers to your questions, reliable service for your energy needs, and quick response to emergencies. Whenever you need us, 24 hours a day, 365 days a year, Columbia Gas of Kentucky is there.

With Columbia Gas DirectLink, you can get many of the answers you need when you need them without having to speak with a customer service representative. Of course, if your request requires personal attention or if you're calling from a rotary-dial phone, our knowledgeable representatives are available to help you during normal business hours, too.

Here are just a few of the services we provide at the touch of a button on your touch-tone phone:

- Access account information
- Find out about convenient payment methods
- Pay your bill by credit card, debit card, or electronic check
- Get information on assistance programs
- Request application for ZipCheck direct payment service
- Sign up for the Budget Payment Plan
- Learn more about the Customer CHOICE<sup>SM</sup> program

Be sure to have your Columbia Gas account number handy when you call. First, you'll be asked to enter the phone number of the account's service address you're calling about. If the phone number doesn't match the number we show on the account, you'll be asked to enter your account number for confirmation.

### Privacy Protection

We respect your privacy and want to be sure that we speak with a person who's authorized to conduct business on your account. Unless your name appears on the account, we won't be able to handle your request. If you need to speak with a customer service representative and your name is not on the account, please have the account holder call us to authorize you.



**Gas Emergencies** **Press 2**

Odor of gas, break in gas line,  
carbon monoxide symptoms

**Start, Stop, or Transfer Service** **Press 3**

Start service\* Press 1

Stop or transfer service\* Press 2

**Customer CHOICE and Other Inquiries** **Press 4**

Customer CHOICE Press 1

Other inquiries\* Press 2

*Note: At any time within one of the options on the main menu, press 7 to repeat the options or press the star key (\*) to return to the main menu.*

*\*: If you call after normal business hours about a matter that requires assistance from a customer service representative, you'll be instructed to call back during normal business hours.*

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**Columbia Gas<sup>®</sup>**  
**of Kentucky**  
*A NiSource Company*



**Winter  
heating bills  
can hit hard**

Manage your heating costs  
with the Budget Payment Plan

lea la parte trasera de este folleto para más información.

**PASTA**

**Avoid surprise bills!**

National energy forecasts predict that natural gas prices this winter will be higher than what we're used to seeing. Even if winter weather conditions are normal, your heating bills might be harder to manage.

Prepare for winter heating bills by joining the Budget Payment Plan now. The plan spreads the higher cost of winter heating more evenly throughout the year, and allows you to pay the same budget payment amount every month.

- ✓ Reduce the impact of unstable natural gas prices
- ✓ Spread your winter heating costs over a full year
- ✓ Know how much to expect to pay each month
- ✓ Have more money available over the holidays

**It's easy to enroll!**

Just pay the budget amount shown on your August bill. If your account is current, you can enroll by phone, too. Call our DirectLink automated self-service phone system at 1-800-432-9345.

**How the plan works**

We determine your personal budget payment amount based on the gas usage at your address, 30-year normal temperatures, and the current and estimated cost of natural gas.

Sometimes, weather conditions and swings in the price of natural gas can have an unexpected impact on your gas usage and your actual bill amount.

We review your account mid-year and adjust your budget amount, if necessary, to keep your actual account balance on track.

**Know how much your gas bill will be each month! The Budget Payment Plan spreads the higher cost of winter heating more evenly over the year.**

Month	Actual Amount*	Budget Amount
August	\$19.83	\$83.00
September	20.29	83.00
October	29.66	83.00
November	67.45	83.00
December	131.47	83.00
January	202.04	83.00
February	186.24	83.00
March	140.36	83.00
April	105.49	83.00
May	48.03	83.00
June	23.68	83.00
July	20.65	82.19

Normally when heating bills peak

Budget payment amount stays the same unless mid-year review shows a need for adjustment

**\$995.19**      **\$995.19**

\* For example only. Assumes estimated rates for the 2005-2006 budget year and normalized usage per customer. Your costs may vary depending on your gas use, actual gas prices, and weather.

## **Controle el costo de la calefacción en el invierno. Inscríbese en el Plan de Pago Presupuestado.**

### **¡Evite facturas que lo sorprendan!**

Prepárese para las facturas de la calefacción del invierno al inscribirse en el Plan de Pago Presupuestado. Dicho plan divide los altos costos de la calefacción del invierno de forma más uniforme durante todo el año, y le permite efectuar el mismo pago presupuestado todos los meses. Lea la parte interior de este folleto para tener un ejemplo.

- ✓ Reduzca el impacto de los inestables precios del gas natural
- ✓ Divida los costos de la calefacción del invierno entre el año entero
- ✓ Sepa de antemano lo que puede esperar pagar cada mes
- ✓ Cuente con más dinero disponible durante las fiestas navideñas

### **Para inscribirse, pague el monto presupuestado en su factura de agosto**

O llame a nuestro sistema telefónico automatizado DirectLink de autoservicio, marcando 1-800-432-9345. Marque el "0" después del saludo inicial para servicio al cliente en español. Nuestro representante de atención al cliente lo conectará con un intérprete para asistirlo con sus preguntas o preocupaciones.

**Columbia Gas<sup>®</sup>  
of Kentucky**  
*A NiSource Company*  
[www.columbiagasky.com](http://www.columbiagasky.com)



Columbia Gas<sup>®</sup>  
of Kentucky  
A NiSource Company

# GasLines

**In this issue:**

- State agencies urge consumers to prepare now for high natural gas prices this winter
- Manage your account online
- Be aware of carbon monoxide's silent threat
- Several factors creating a perfect storm for natural gas prices
- Your bill is getting a total makeover!

[www.columbiagasky.com](http://www.columbiagasky.com)

Fall 2005

News you can use and information tips

## State agencies urge consumers to prepare now for high natural gas prices this winter

Wholesale natural gas prices are likely to reach unprecedented levels this winter. This could mean Kentucky consumers will pay more than ever before to heat their homes.

Wholesale prices represent by far the largest portion of a consumer's gas bill. Unlike other components of gas costs paid by consumers, wholesale prices are unregulated and fluctuate with market conditions. In recent years, a combination of market factors has driven wholesale natural gas prices steadily higher.

Kentucky law allows local gas utilities to recover the wholesale cost of gas and pass it through to customers. Periodically, utilities file adjustments to reflect recent changes in wholesale gas costs. The Kentucky Public Service Commission (PSC) reviews the adjustments for accuracy and to ensure that wholesale costs are reasonable.

- Weatherize your home *before* cold weather arrives. Add insulation and seal cracks around windows and doors. When cold weather arrives, simply turn down the thermostat to lower your bills.
- Consider participating in a budget billing plan for a predictable monthly bill that eliminates the "sticker shock" of high winter heating costs.
- Visit the Kentucky Division of Renewable Energy and Energy Efficiency on the Web at [www.energy.ky.gov/dre3/](http://www.energy.ky.gov/dre3/) for advice on conserving energy.
- Low-income consumers may qualify for assistance in paying their heating bills or in weatherizing their homes. The principal program to help with bills is the Low-Income Home Energy Assistance Program (LIHEAP). Applications for assistance must be made through local Community Action Agencies. For more information, visit [www.chfs.ky.gov/dcbs/dfs/LIHEAP.htm](http://www.chfs.ky.gov/dcbs/dfs/LIHEAP.htm).
- For information on weatherization assistance, call 1-502-564-7536, ext. 4235, or go to [www.chfs.ky.gov/dcbs/dfs/Weatherization.htm](http://www.chfs.ky.gov/dcbs/dfs/Weatherization.htm).
- For general information about cutting heating costs, utility issues or for assistance with resolving consumer disputes with utilities, contact the PSC at 1-800-772-4636 or go to the PSC Web site at <http://psc.ky.gov>.

A message from: The Kentucky Public Service Commission; The Kentucky Office of Attorney General; The Kentucky Cabinet for Health and Family Services; and The Kentucky Division of Renewable Energy and Energy Efficiency

While wholesale natural gas prices are largely outside of Kentucky's

control, consumers can take steps to cope with high heating bills.



## Manage your account online

Visit DirectLink e-Services at [www.columbiagasky.com](http://www.columbiagasky.com) to manage your account online this heating season. The new feature allows you to access real-time

personal account information, online billing and payment services, and links to many other useful tools to help manage your energy usage and costs.

# Be aware of carbon monoxide's silent threat

When you seal your home against cold temperatures, be careful to avoid creating conditions that can produce carbon monoxide. Even though natural gas doesn't contain carbon monoxide, the colorless and odorless gas can be produced when there's not enough oxygen present for natural gas, oil, or any other fuel to burn properly.

Carbon monoxide gives no warning, but continued exposure can be extremely dangerous. A vehicle left idling in an enclosed garage can

produce enough carbon monoxide to cause illness. In fact, more than two-thirds of accidental deaths from carbon monoxide are caused by poorly vented vehicle exhaust, and by coal, kerosene, or wood burned in a fireplace or stove that's not vented properly.

To guard against carbon monoxide, have your furnace and water heating system serviced regularly by a qualified heating contractor. Proper adjustment and venting of equipment will help to ensure an adequate

supply of fresh air for combustion. Carbon monoxide detectors are also easy to install. They can alert you when the concentration of carbon monoxide in the air is above acceptable levels.

## Your bill is getting a total makeover!

Watch your bill package this fall for a new bill design that will feature useful information to help you manage your energy use and cost. Your new bill will use a larger format for easy filing, and will be printed on both sides with information specific to your account. For customers who just want to know the bottom line of how much they owe and when it's due, a Billing and Payment Summary section will provide the basics right up front, as well as information on your actual account balance if you're on a payment plan. For others, a detailed itemization on the back of the bill will provide more explanation of the current month's charges and any optional services you've chosen.

## Several factors creating a perfect storm for natural gas prices

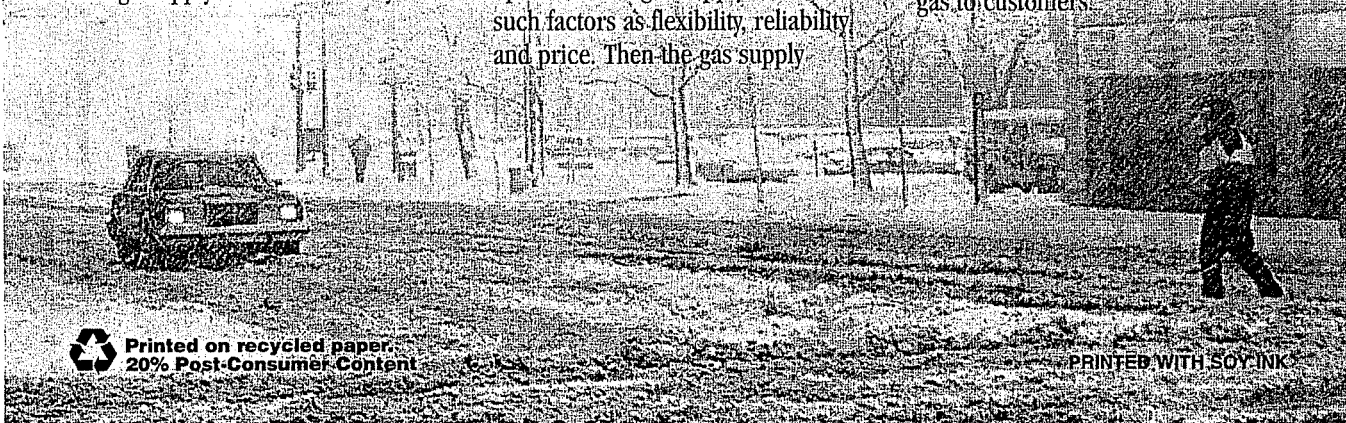
Due in part to the impact of Hurricane Katrina on oil and natural gas production in the Gulf of Mexico, the U.S. Energy Information Administration expects the cost of natural gas to rise significantly over last year. Although the severity of price forecasts depends on how quickly production recovers from hurricane damages, the impact on prices is expected to last into the heating season.

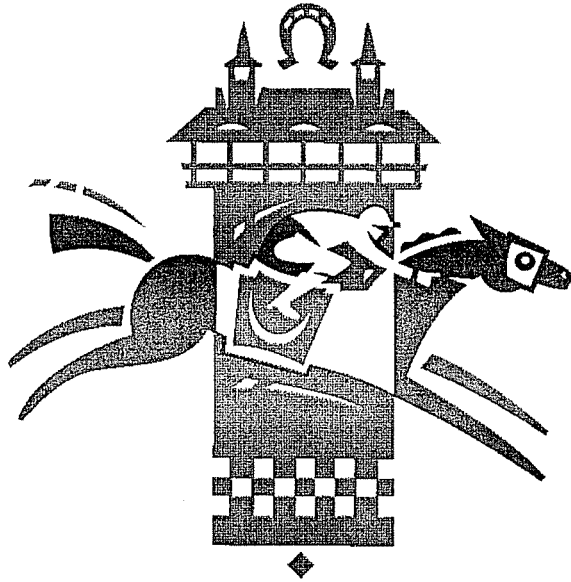
The market price of natural gas continues to reflect an extremely tight balance between supply and demand. In recent years, natural gas prices have risen because global demand for natural gas is rising faster than producers can get enough supply to market. So any

outside impact on supply and demand, such as storms that disrupt production, or cold weather that increases customer demand, raises the market price of natural gas — that's the price we pay producers for the gas you use. Utility companies have no control over these gas costs. Our gas supply purchases are reviewed and approved by state regulators before being passed along to our customers without profit.

We're taking action to cushion the impact of higher gas prices on customers. For example, we purchase gas under long-term, fixed-price contracts and put natural gas into storage during the non-heating season. Gas utilities optimize their gas supply based on such factors as flexibility, reliability and price. Then the gas supply

costs are passed through to customers dollar for dollar. Utilities are permitted to make profit only on service and delivery of natural gas to customers.





*Welcome*

*to Columbia Gas of Kentucky*

**New Customer**

**INFORMATION  
GUIDE**

Welcome to our community! We're pleased to provide natural gas service to your home, and hope you'll enjoy the comfort, convenience, and reliability of natural gas for many years. We're dedicated to providing you the best possible service. Please let us know how we're doing.

The following information briefly describes some of our popular services. For more information, visit our Web site at [www.columbiagas.com](http://www.columbiagas.com), call our DirectLink 24-hour automated self-service at **1-800-432-9345**, or read your quarterly customer newsletter, "Gaslines." You'll find the latest updates on programs and services, and helpful tips on using natural gas wisely.

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### **Customer CHOICE<sup>SM</sup>**

Take control of your energy budget by choosing another supplier to provide your natural gas. Columbia Gas will still deliver your gas and provide safe, reliable service. But you might be able to save on the cost of your gas, which makes up about 65% of your bill. The program is voluntary. If you choose not to participate, Columbia Gas will continue to supply your natural gas. It's your choice!

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### **Payment Options**

**Budget Payment Plan** – Spread the cost of winter heating more evenly over the year by establishing a budget amount you pay monthly. The budget amount is determined by the annual gas usage at your address, the current and expected cost of gas, and normal weather conditions.

**ZipCheck** – This direct payment service allows your financial institution to pay your gas bill for you from your checking or savings account automatically. You receive a copy of your monthly bill to review before it's paid.

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**Phone/Internet** – You can pay your gas bill with your Visa, MasterCard, Discover, or Diners Club credit card, a debit card with a Star or Pulse logo, or an electronic check. Call NCO EasyPay at 1-800-284-8572, or link from our Web site to pay online. NCO EasyPay charges a convenience fee for each transaction.

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### **For Customers With Special Needs**

**Extended Payment Plans** – We offer payment plans that can spread your payment of past-due bills over several months. We can also direct you to programs that offer low-income customers help in paying their heating bills.

**Low-income Home Energy Assistance Program (LHEAP)** – If your total annual household income meets current federal low-income guidelines, you might be eligible to receive financial assistance in paying a portion of your gas bills. In addition, the HEAP Emergency Assistance Program provides qualified low-income customers one emergency payment each heating season to avoid termination or to restore gas service.

**WinterCare** – Columbia matches \$1 for every \$2 contributed by our customers, employees and shareholders to assist payment-troubled customers who have used up other sources of financial help or who have special hardships. The program is administered by the Community Action Council.

**Medical Certification Notice** – We will delay termination of service for non-payment up to 30 days when a licensed physician completes a medical certification form stating that loss of service would be hazardous to the health of a permanent resident of your home. While the certification does not lower your gas bill, it does give you time to make payment arrangements.

**Third-Party Notification** – You may authorize us to send a copy of notices to a relative, friend, or caregiver so that you don't overlook past-due bills or disconnect

notices. The service doesn't obligate the third party to pay the bill, but it does alert them that you might need advice or help.

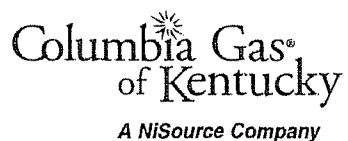
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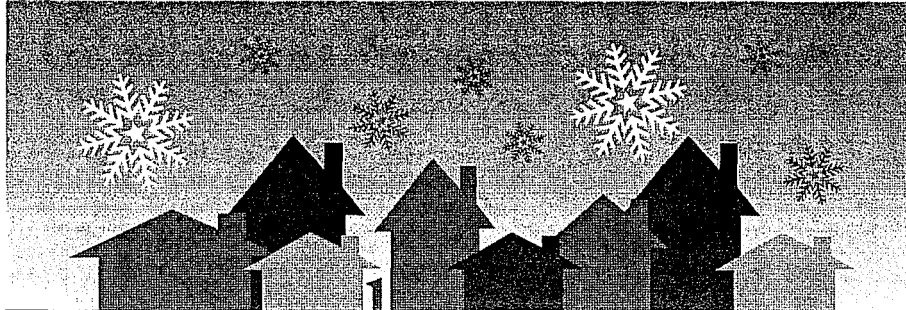
### **Gas Line Maintenance**

Natural gas is delivered to your home or business through an underground pipeline. While Columbia Gas of Kentucky owns the main lines, service lines, and gas meters, the property owner owns the house lines from the meter up to and inside the home or business.

Proper maintenance of underground piping is important to prevent corrosion and leakage. For your safety, we inspect main lines, service lines and meters for leakage as necessary. If the line is metallic, we also inspect it for corrosion. It's the property owner's responsibility, however, to arrange for inspection and any necessary repair of house lines through a qualified professional, such as a licensed heating/cooling contractor or plumber.

For safety's sake, please call the Kentucky Underground Protection Center toll-free at 1-800-752-6007 before you start any construction or landscaping project. The service will notify utilities to mark the approximate location of underground service in the work area at no cost to you.





# natural gas prices

## Know the facts and be prepared

### National situation

- Due in part to the impact of Hurricane Katrina on oil and natural gas drilling in the Gulf of Mexico, the U.S. Energy Information Administration expects the cost of natural gas to rise significantly over last year.
- Although price forecasts depend on how quickly production recovers from hurricane damages, the impact on prices is expected to last into the heating season.
- For the past five years, the natural gas market has been very tight — any significant change in supply and demand, such as storms that disrupt production, or cold weather that increases customer demand, affects the market price of natural gas.
- Warmer-than-normal weather this summer drove up demand for natural gas to generate electricity for air conditioning and pushed wholesale natural gas prices higher.
- The Energy Policy Act of 2005 will help to increase natural gas supplies and promote efficiency over the long term, but will not have an immediate impact on prices.

### How it affects you

- Even with normal weather conditions, heating bills will be higher than last year and could rise even more if weather is unusually cold.
- Colder temperatures and windy conditions make your heating equipment use more gas. Gas use often doubles month-to-month during the heating season.
- Current cost of gas that appears on your bill is adjusted quarterly and is approved by the Kentucky Public Service Commission.
- Columbia Gas passes through the cost of gas without mark-up or profit.
- We review Budget accounts in March to adjust for any unexpected increases in the cost of gas or your consumption.
- If you participate in the Customer CHOICE<sup>SM</sup> program, ask your supplier how unstable gas prices might affect your contract.

**Visit [www.columbiagasky.com](http://www.columbiagasky.com) and click on  
DirectLink e-Services for useful tools to  
help manage your home's energy costs this winter.**

### **What Columbia Gas is doing**

- Columbia Gas buys its gas supply from a number of sources to ensure flexibility and reliability.
- We will have a reliable supply of natural gas to serve customers this winter.
- We offer programs that help manage the impact of higher, unstable gas prices on your energy budget.

### **What you can do**

- Contact us to make payment arrangements at the first sign of any problem – don't wait for the threat of shut-off.
- Enroll in the Budget Payment Plan and spread your total annual heating cost more evenly over the year.
- Apply early for financial assistance through your local Community Action Agency, if income-eligible.
- Use energy wisely by practicing good conservation habits. Follow simple energy-saving steps, and visit the U.S. Department of Energy Web site at [www.hes.lbl.gov](http://www.hes.lbl.gov) for a do-it-yourself home energy audit.
- Consider replacing older appliances with more energy-efficient models. Visit [www.energystar.gov](http://www.energystar.gov) for information on washers, furnaces, programmable thermostats, and other home appliances that meet government standards for energy efficiency.
- Learn about energy conservation at the Kentucky Division of Renewable Energy and Energy Efficiency on the Web at [www.energy.ky.gov/dre3/](http://www.energy.ky.gov/dre3/)

### **For more information**

**Columbia Gas of Kentucky** – [www.columbiagasky.com](http://www.columbiagasky.com), 1-800-432-9345

**American Gas Association** – [www.aga.org](http://www.aga.org)

**Kentucky Public Service Commission** – [www.psc.ky.gov](http://www.psc.ky.gov), 1-800-772-4636

**Columbia Gas<sup>®</sup>  
of Kentucky**

**A NiSource Company**





We've designed our bill format based on feedback from customers just like you because we know that your bill should be easy for you to read and understand. You can quickly review your monthly statement for a billing and payment summary to see how much you owe and the due date. You can also use the information on your bill to help you manage your gas use wisely and take control of how much you spend.

Learn how to read your bill by taking a quick tour.

We realize that each customer's bill is unique, but we've used a typical bill of a customer who's enrolled in the Budget Payment Plan as an example for demonstration purposes. Not all programs, services, and functionality shown in the example are available to all customers, but you'll know where to look on your bill for information that's relevant to you.

Let's look at the bill section by section. Start by unfolding this brochure to find section 1 inside.

**Begin here . . .**

Your account number is easy to find in the top right corner of your bill. Be sure to have your account number handy if you need to contact us.

**2** The statement date indicates the date your current bill was issued.

**3** Although your bill might be more than one page, the format includes personal account information on the front and back of one sheet of paper. Page 1 is the front side and page 2 is on the back. In situations that might require more pages, the odd-number page will always be the front side of the sheet, and the even number will be on the back.

**4** Customer's name — The primary account holder's name appears first. If another person is authorized to perform certain functions on the account, that person's name might also appear here. For your privacy protection, our Customer Service Representatives can speak only with someone who you authorize to have access to your account information. If you'd like to add someone to your account, please call Columbia Gas DirectLink at 1-800-432-9345.

**5** This section identifies if it's an initial, final, or adjusted bill or if you're on a payment plan, and provides your billing and payment summary at a glance:

- Your previous balance
- Payments received by the current billing date
- Current balance
- Adjustments
- Current utility charges
- Payment plan amount

Contribution to the WinterCare fuel fund charges for any optional service you might request if you participate in the Customer CHOICE<sup>SM</sup> program, this section will also show the breakdown of charges and payments for gas supply and gas distribution separately.

**6** This section clearly states the amount you owe and the date payment is due. If there's an unpaid balance from previous months' charges, that amount will be due immediately — before the due date of current charges — to avoid the risk of shut-off. If you think you might not be able to pay your bill in full and on time, call Columbia Gas DirectLink at 1-800-432-9345 right away. After the main greeting, press option 1 for billing and payment information, then press option 2 for payment options and follow the appropriate prompts for information on extended payment plans or energy assistance.

**7** Actual account status — If you're on the Budget Payment Plan or an extended payment plan, this section of your bill will indicate your actual account balance, including the previous month's balance, utility service charges for the current month, any payments received by the current billing date, and the total current balance. This is the amount you're responsible for paying if you go off your payment plan.

**8** This area features other information that is specific to the status of your account, including ZipCheck direct payment, security deposit, changes in a Budget payment amount, etc.

**9** Be sure to look at the back of your bill for more detail of current charges.

**10** All the information you need to contact us is at your fingertips!

- For quick, convenient answers to many common account questions 24 hours a day, call our DirectLink automated self-service phone system at the first number listed here.
- This section also tells you the hours to call if you need to speak with a Customer Service Representative, and suggests the best time to call for quickest response.

**Columbia Gas of Kentucky**  
A McGraw-Hill Company

**How to Contact Us**  
1-800-432-9345  
For service assistance 24 hours a day, call our DirectLink automated self-service phone system at the first number listed here. If you need to speak with a Customer Service Representative, call the second number listed here. For questions regarding your account, call 1-800-432-9345. For gas leaks or other gas emergencies, please call 911. For more information, visit our website at [www.columbiagas.com](http://www.columbiagas.com).

**Billing Options**  
Extended Payment Plan: Personal payment arrangements and energy assistance are available. Call 1-800-432-9345 for more information.

**Payment Options**  
E-Bill: Receive your bill online to avoid mail. Visit our website at [www.columbiagas.com](http://www.columbiagas.com) to enroll. ZipCheck: Authorize your bank to pay your bill automatically each month. Phone Call (NCO EasyPay): 1-800-261-5572 or call from our website at [www.columbiagas.com](http://www.columbiagas.com) to enroll. NCO charges a convenience fee for each transaction.

**Gas Meter Information**  
Actual Reading: 123456789  
Meter Number: 123456789  
Service Location: 123 Main St, Louisville, KY 40240-6789

**Gas Bill**  
Residential Gas Service

Account Number: 9999999999999999  
Statement Date: 02/28/2007

**Billing & Payment Summary**

Customer Name: John Doe	Billing & Payment Notes: Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
Budget Payment Plan	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
Previous Amount Due on 01/02/2007: \$130.00	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
Payments Received by 01/02/2007: \$130.00	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
Balance on 01/02/2007: \$0.00	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
Budget Amount This Period: \$130.00	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789
<b>Amount Due by 02/25/2007: \$130.00</b>	Actual Account Status: Meter 123456789, Meter 123456789, Meter 123456789

**Service Summary**

Meter Number: 123456789	Meter Reading (at Billing Date): 12345
Actual Reading on 01/02/2007: 12345	Actual Reading on 02/28/2007: 12345
Gas Used (Mcf): 23	Actual Reading on 02/28/2007: 12345

**Gas Use History**

**Payment Coupon**

Amount Due by 02/25/2007: \$130.00

Payment Enclosed: \$

Make check payable to: COLUMBIA GAS OF KENTUCKY, PO BOX 2200, LOUISVILLE, KY 40220

• Meter Readings show the number of days in the current billing period; the meter readings at the beginning and end of the billing period; whether the readings were obtained by our meter readers (actual), provided by you (customer), or estimated; and the total amount of gas used during the period, shown in Mcf, or thousand cubic feet of gas.

**14** Gas Use History is helpful to track the amount of gas you've used each month over the most recent 13-month history, including the current month. The chart provides a visual and numerical comparison of your energy use month-to-month, and with the same period last year. The bar graph is coded to indicate whether your usage was based on actual, provided, or estimated meter readings, and notes the number of days in the billing period. Your consumption could be higher if there are more days in the billing cycle, or lower if there are fewer days.

**15** Service Summary Notes offer practical tools to help you understand your energy consumption and how it relates to current charges. We will attempt to read your meter between these dates. If your meter is inside, or if it's in a secured area outside, make sure that we have access to obtain an accurate reading. Keep pets confined away from the path to the meter, and keep meter dials clear of plants, fencing, or storage.

**16** Daily Comparisons show the average daily temperature and your average daily gas use for the current month, the previous month, and the same month last year. Since the amount of your bill depends largely on the amount of gas you use, this information helps to explain possible reasons for any significant change in the amount you owe. In addition to the weather, other reasons for a difference in your energy use might be a change in the number of household members or the types of natural gas appliances. During the heating season, a typical customer's energy consumption can nearly double from one month to the next, November through February, depending on weather.

**17** Gas meter information provides definitions for terms we commonly use in reference to your gas meter and consumption measurement. It also provides helpful instructions on how to read your own meter, in case you'd like to submit your reading or confirm the reading shown on your bill.

**18** If you pay your bill by mail or at an authorized agent, be sure to submit the Payment Coupon with your payment. Fill in your payment amount, write your account number on your check or money order, and make your check payable to Columbia Gas of Kentucky. Your account number is repeated in the top right corner for quick reference. The total amount due and the payment due date are repeated from the Billing & Payment Summary section at the top of your bill.

**19** There's an easy way to update your account information. We'll show the mailing address and primary phone number for your account on the back of the Payment Coupon. If any of the information is incorrect, just check the box on the front and provide the updated information on the back. If you're moving and wish to disconnect or transfer service, call Columbia Gas DirectLink, press option 3 after the main greeting, and follow the appropriate prompts.

- If you suspect a gas leak or carbon monoxide symptoms, call our toll-free emergency number 24 hours a day.
- We offer a TDD/TTY relay service for customers who have hearing impairments.
- Click instead of call! Our Web site can be your best resource for certain self-service account options whenever it's convenient for you. You can retrieve copies of your bills for the past 24 months, and find useful information about our programs and services, safety and conservation tips, and other tools to help you become an informed energy user.

**11** If you're eligible for any of our alternative billing plans, this section recognizes your account status and describes options available to you.

**12** Columbia Gas of Kentucky offers a variety of payment options with features to fit your lifestyle. Some are free of charge, like ZipCheck direct payment or online bill payment via e-Bill. Other payment methods incur convenience fees, like credit card and electronic check options through NCO EasyPay or payment at authorized agent locations. If you prefer to mail your payment, the mailing address is provided in case you lose the return envelope or want to send separate payments during the month.

**13** The Service Summary section of your bill provides probably the most useful information to help you manage your energy use.

- The service location identifies the address(es) where gas service was provided.
- The meter number identifies the number assigned to the gas meter at the service location.

Continued on other side

Unfold to begin

**20** Note that the page number, account number and statement date appear in the top right corner on the back of the bill just as they do on the front.

**21** The Detail of Charges for Gas Service provides more information on the specific charges for the current billing period. If you participate in the Customer CHOICE<sup>SM</sup> program, Columbia Gas charges for service and delivery will appear separate from your supplier's charges for gas supply. The section will provide your supplier's contact information for questions about your gas supply charges or current rate.

**22** Service Charges Notes identify the different components of your current charges. Columbia's gas supply cost typically changes quarterly to reflect the most recent and expected price that Columbia Gas pays suppliers, and is reviewed by the Kentucky Public Service Commission. During the heating season, the gas cost portion of your bill can account for more than 60 percent of your total bill if you use natural gas as your primary energy to heat your home. Columbia Gas of Kentucky passes through the cost of gas to customers without markup or profit.

**Columbia Gas of Kentucky**  
A NiSource Company

**Gas Bill**  
Residential Gas Service

Account Number: 9999999 999 999 9  
Statement Date: 01/01/2009  
Page 2 of 2

**Legal Notices**  
Basic Schedule Information about this bill is available at [www.columbia-gas.com](http://www.columbia-gas.com).  
Columbia Gas of Kentucky, Attention: Customer Service, P.O. Box 10241, Louisville, KY 40210.  
Mail to: Columbia Gas of Kentucky, P.O. Box 10241, Louisville, KY 40210.

**Safety Tips**  
If you smell gas, call your gas supplier immediately. Do not use any open flames, do not use any electrical devices, and do not use any telephones. If you smell gas, call your gas supplier immediately. Do not use any open flames, do not use any electrical devices, and do not use any telephones. If you smell gas, call your gas supplier immediately. Do not use any open flames, do not use any electrical devices, and do not use any telephones.

**Detail of Charges for Gas Service**  
Charges for Residential Service This Billing Period

Volume Charge	\$6.25
Gas Delivery Charge	\$3.05
Customer Service Charge	\$0.00
Supplier's Administrative Fee	\$0.00
Supplier's Franchise Fee	\$0.00
Supplier's Insurance Charge	\$0.00
Supplier's Service Fee	\$0.00
<b>Total Charges for Service This Period</b>	<b>\$9.30</b>

**Service Charges Notes**  
The Minimum Charge covers the amount of gas used in excess of the minimum charge. This amount is the same for all customers. The amount of the minimum charge is \$9.30 per month. The amount of the minimum charge is \$9.30 per month. The amount of the minimum charge is \$9.30 per month.

**Contact Information Corrections**  
If the address and items for one number are incorrect, please call us at 1-800-345-2529. If the address and items for two numbers are incorrect, please call us at 1-800-345-2529.

23 Main St.  
Louisville, KY 40202-5229  
1-800-345-2529

Address: \_\_\_\_\_  
City: \_\_\_\_\_  
State: \_\_\_\_\_ ZIP: \_\_\_\_\_  
Home Phone: \_\_\_\_\_

**23** In the Legal Notices section, you'll find instructions for contacting Columbia Gas for matters of a legal nature, such as bankruptcy notices or other correspondence.

**24** Safety Tips are useful information to share with all members of your household. Learn how to recognize and respond to a suspected gas leak, know who to call before you dig for landscaping or construction projects, and always ask for photo identification when someone at your door claims to represent Columbia Gas.

**25** It's important that we have your current mailing address and phone number on file to notify you in case of emergencies or changes to your service. The back of your Payment Coupon provides areas for you to update the contact information we currently show for your account.



**You can find more information on  
billing options, payment services,  
assistance programs, and other  
useful tools on our Web site at  
[www.columbiagasky.com](http://www.columbiagasky.com)  
under DirectLink e-Services.**

**Columbia Gas<sup>®</sup>  
of Kentucky**  
*A NiSource Company*





# For Your Safety and Comfort

Columbia Gas<sup>®</sup>  
of Kentucky  
A NiSource Company

## **Be Sure of Your Heating Equipment**

Heating safety begins with safe equipment. Use only "certified" heating equipment designed to meet national safety standards. Have a professional heating contractor assess your needs and recommend the type and size of system you should use. Size is one of the most important factors affecting the efficiency of heating systems. Bigger isn't always better. Look for ENERGY STAR® units that have an efficiency rating of 90 or higher.

## **Proper Venting Is Important**

For your safety, a professional heating contractor can make sure that your equipment is properly vented and adjusted, and that it has an adequate supply of fresh air for safe, efficient operation.

If your equipment is vented through a chimney with a cleanout opening, make sure the opening is covered with a cap.

And if you're converting to natural gas from another heating fuel such as coal or oil, be sure to have your flue and chimney cleaned to remove any deposits left by the old fuel.



## **Maintain Your Furnace Properly**

Heating systems need regular inspection and service to keep them operating efficiently and safely. Have your furnace checked by a qualified heating service contractor, clean or replace your furnace filter regularly according to the manufacturer's recommendations, and keep the cleanout opening clear of leaves and other debris. Simple steps could save your life.

## **Be Alert to Conditions That Create Carbon Monoxide**

Even though natural gas doesn't contain carbon monoxide, the colorless and odorless gas can be produced when there's not enough oxygen present for natural gas, oil, or any other fuel to burn properly. A vehicle left idling in an enclosed garage can produce enough carbon monoxide to cause illness. In fact, more than two-thirds of accidental deaths from carbon monoxide are caused by poorly vented vehicle exhaust, and by coal, kerosene, or wood burned in a fireplace or stove that's not vented properly. With tighter construction and weatherization features, newer homes can also create poor venting conditions that keep fresh air from aiding proper combustion, especially during the winter heating season.

## **Symptoms of Carbon Monoxide Poisoning**

Symptoms of carbon monoxide poisoning might seem like the flu. Common signs include:

- headache
- dizziness
- drowsiness
- ringing in the ears
- seeing spots
- nausea
- irregular breathing
- unconsciousness

## **What to Do**

If you suspect carbon monoxide poisoning, get into fresh air quickly. Call an emergency squad or ambulance and get medical aid. Give artificial respiration if the victim isn't breathing. Loosen clothing, keep the person warm, and place the head lower than the feet. After the victim is stabilized, call a qualified service contractor to locate the source of the problem and make necessary repairs.

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## **10 Tips for Safe, Efficient Operation of Your Heating Equipment**

- Don't try to adjust automatic vent dampers, heat reclaiming devices, or safety controls on your heating equipment. If your equipment doesn't operate properly, call a qualified service company for a safety check and needed repairs.
- When buying new equipment, check the label plate for certification. This is your assurance that the equipment is designed to meet national safety standards.
- Have heating equipment installed by a qualified heating dealer to ensure it's properly connected.
- Follow the manufacturer's instructions for the proper operation and care of your equipment.
- Make sure your chimney and flue are kept clean.
- Inspect the vent pipe for rust. Replace it if corrosion has created a hole.
- Check furnace filters regularly and clean or replace them if dirty. Check belts for wear.
- Keep equipment and burner area free of dust, dirt, and debris.
- Keep the furnace unit intact. Don't remove panels without replacing them.
- Use equipment for the job it was designed to do. Never use a cooking range top or oven to heat your home.

Columbia Gas<sup>®</sup>  
of Kentucky  
A NiSource Company

# GasLines

**In this issue:**

- Billing options help manage energy costs
- Weather, prices deal punch to winter heating bills
- Claim your Earned Income Credit
- DirectLink offers convenient self-service

[www.columbiagasky.com](http://www.columbiagasky.com)

Winter 2006

News you can use and information tips

## Billing options help manage energy costs

With colder weather, increased gas costs, and limited funding for financial assistance, a greater number of families will find it difficult to keep their homes warm this winter. Many households are experiencing financial hardship for the first time due to job loss, extended military duty, or rising medical expenses. Columbia Gas of Kentucky offers several billing options to help you manage your energy bills. Save time, money and energy by choosing one that meets your needs.

**The Budget Payment Plan** spreads the higher cost of winter heating more evenly throughout the year, and allows you to pay the same budget payment amount every month.

**Customer CHOICE<sup>SM</sup>** gives you the opportunity to shop for the lowest cost of gas from among qualified suppliers. Regardless of which company provides your natural gas, Columbia Gas of Kentucky will continue to deliver it to your home or business and to provide the same safe, reliable service you expect.

Columbia Gas of Kentucky works with customers who have past-due bills to set up **extended payment**

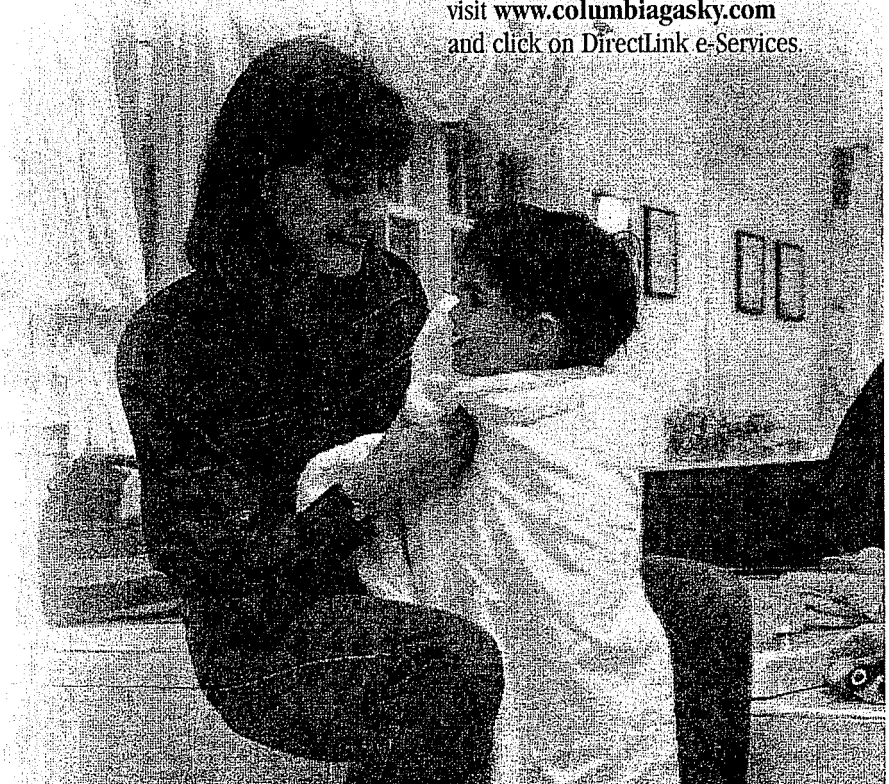
**plans.** If you're having trouble paying your heating bills this winter, contact Columbia Gas as soon as possible to establish a mutually agreeable payment plan before you have a large outstanding balance.

The Low-Income Home Energy Assistance Program (**LIHEAP**) provides federal assistance for qualified customers. In addition, the LIHEAP Emergency Assistance

Program provides one emergency payment each heating season to eligible low-income customers to restore gas service or avoid termination.

**WinterCare** combines contributions from our customers, our employees and shareholders with company donations to assist customers who have exhausted other forms of financial help or who have special hardships. To request WinterCare assistance, contact the Community Action Agency in your neighborhood.

To learn more about these services and convenient payment options, visit [www.columbiagasky.com](http://www.columbiagasky.com) and click on DirectLink e-Services.





# Weather, prices deal punch to winter heating bills

If you heat your home with natural gas, more than likely you're seeing a dramatic difference in the amount of your heating bills this winter. Keep in mind these factors that contribute to the total amount of your bill:

- December was colder than normal, colder than the previous month, and colder than the same period last year, which was warmer than normal.
- Even if weather and your consumption were unchanged, bills would be significantly higher than last year due to the increased price of natural gas.
- Although we encourage you to use energy wisely by taking steps to weatherize your home and conserve usage, you might not see the lower bills you'd expect due to higher gas prices. Even with less gas consumption, the higher price of gas can still force your bill higher.
- If you heat your home with natural gas, your usage and the amount of your monthly bill can nearly double from one month to the next during the heating season, November – March, even in normal weather conditions.
- Wind chill is another factor that can cause your furnace to use more gas. Even on a day with normal temperatures, the wind chill can make your home feel cooler and cause your heating system to work harder.
- Slow recovery of oil and gas production in the Gulf of Mexico following hurricanes Katrina and

Rita has reduced the supply of available gas. At the same time, colder weather has increased demand and forced higher prices that are expected to last beyond the heating season.

Visit DirectLink e-Services on our Web site and register your account to compare your current bill with previous bills for the past 24 months. Look for billing information on the cost of gas and your usage for each month to learn more about the impact each has on your total bill. You can also submit your own meter readings

and find links to useful tools and conservation tips, including do-it-yourself home energy audits.



## Claim Your Earned Income Credit

The Earned Income Tax Credit (EITC) is a special income tax benefit for people who work full- or part-time. If you qualify, you'll owe less in federal taxes and could get a partial refund. Even if you don't owe income tax, you might be eligible for the EITC, but you must file a federal tax return.

For more information about the EITC and help with filing your return, visit the Internal

Revenue Service (IRS) Web site at [www.irs.gov/eitc](http://www.irs.gov/eitc) or call the IRS toll-free at 1-800-829-1040 for the location of a Volunteer Income Tax Assistance (VITA) center near you.

AARP Tax-aide is another free tax service for low- and moderate-income individuals with special attention to those age 60 and older. Online assistance is available year-round at [www.aarp.org/taxaide](http://www.aarp.org/taxaide).

### DirectLink offers convenient self-service

Did you know that you can get answers to many common questions at your convenience? Our DirectLink automated phone system will lead you quickly and easily to information when you need it. The system tailors options and information to match your account status.

Of course, if your request requires personal attention or you're calling from a rotary-dial phone, our knowledgeable representatives are available to help you during normal business hours, too. Contact us at the number shown on your bill.

## **Your budget payment amount has changed**

During the budget year, we review the accounts of all budget customers to determine the impact of unexpected changes in your natural gas usage and the cost of gas since last August. This helps to keep pace with your actual account balance and to avoid the possibility of a large balance at the end of the budget year in July.

### **How the review works**

The adjustment in your budget payment amount this month reflects the unexpected spike in natural gas prices we paid suppliers last fall. The impact of Hurricanes Katrina and Rita on natural gas production in the Gulf of Mexico, along with other market factors, drove the wholesale price of natural gas to record levels. Although the price of gas has decreased recently, it remains higher than the same time last year, and we cannot predict how weather might affect the tight balance of supply and demand for natural gas the rest of the heating season.

The next budget year begins in August. We'll review your account again at that time to establish a monthly budget payment amount for 2006-2007, based on your usage during the previous 12 months, the current and expected cost of gas, and 30-year normal weather.

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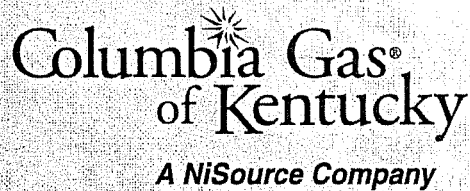
### **Your best option**

The Budget Payment Plan is your best option to avoid the sticker shock of winter heating bills and their impact on your household expenses. With the Budget Payment Plan, you'll know what to expect to pay for your natural gas service each month.

To enjoy the plan's benefits and keep your account current, it's a good idea to pay your billed budget amount each month. We cannot reduce your budget payment amount since that would only increase your account balance at the end of the budget year. If you prefer to be taken off the budget plan, you'll be required to pay your actual account balance in full, unless you qualify for other programs.

### **More information**

If you have any questions about the Budget Payment Plan or your revised budget amount, call Columbia Gas DirectLink at 1-800-432-9345 or visit our Web site at [www.columbiagasky.com](http://www.columbiagasky.com) and click on DirectLink e-Services.

The logo for Columbia Gas of Kentucky features the company name in a serif font. Above the word "Gas" is a stylized sunburst icon. Below the main name, it reads "A NiSource Company" in a smaller, italicized sans-serif font.**Columbia Gas<sup>®</sup>  
of Kentucky**  
*A NiSource Company*

Columbia Gas<sup>®</sup>  
of Kentucky  
A NiSource Company

# GasLines

**In this issue:**

- Never write a check to Columbia Gas again!
- Your new gas bill spotlights charity
- Watch for buried utility lines
- Use only authorized payment agents
- Energy theft is unsafe — and illegal

[www.columbiagasky.com](http://www.columbiagasky.com)

Spring 2006

News you can use and information tips

## Never write a check to Columbia Gas again!

With the ZipCheck direct payment option, you can authorize your financial institution to pay your gas bill automatically each month and be assured that your payment will be credited to your account on time. You'll still get a monthly statement from us so you can monitor your monthly gas usage and call us if you have any questions about your bill before it's paid. Your bill will show the amount due and the date that your payment will be withdrawn from your checking or savings account.

Enjoy the benefits of direct payment:

**Easy** — It lets you forget about paying your gas bill because the service pays your bill each month automatically.

**No check to write** - It pays right from your checking or savings account. Funds are transferred elec-



tronically, so you'll never have to write a check for your gas bill again.

**Saves time and money** - No need to write the check or mail it. No

check costs. No postage. And your payment will always be on time.

**Safe and reliable** - Your bank will transfer only the amount of your monthly bill within 10 days unless you've called us with a concern. The payment will be itemized on your bank statement.

**It's free** - There's no charge for the direct payment service.

To sign up for the ZipCheck direct payment service, use the application attached to your return envelope this month and enclose a cancelled check or deposit slip. To enroll online, visit our Web site at [www.columbiagasky.com](http://www.columbiagasky.com) and click on DirectLink e-Services. You'll find a link for ZipCheck under Pay My Bill.

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## Your new gas bill spotlights charity

Charitable solicitations can be easy to miss, especially if they become mixed in with credit card offers and assorted junk mail. Columbia Gas of Kentucky's redesigned monthly statement will help you contribute to the WinterCare fuel fund more easily.

Administered by the Community Action Council, the program is a fund of last resort for many house-

holds that have exhausted assistance from other programs and still have trouble paying their heating bills. The fund is supported through donations from customers and matching contributions from Columbia Gas.

To contribute, just check the box on the front of your bill payment coupon and note the amount of your donation on the back.

You can choose to make a regular monthly donation added to your gas bill, or a one-time contribution payable to WinterCare. Customers who give to WinterCare monthly will receive a statement of their total annual donation on their January bill for tax purposes.

Your generosity will be warmly appreciated.

# Watch for buried utility lines

Natural gas is delivered to your home or business through a series of underground pipelines that can be subject to accidental damage during construction or landscaping projects that involve digging. Be sure to contact your local utility protection service at least two days before work begins to locate buried service lines on your property. By making that one call, you can save time and money, and avoid property damage or personal injury. The protection service will notify utilities to mark the approximate location of underground service lines if a potential



conflict exists in the work area at no cost to residential customers.

Indiana	Indiana Underground	1-800-382-5544
Kentucky	Kentucky Dig Safely	1-800-752-6007
Maine	Dig Safe	1-888-344-7233
Maryland	Miss Utility	1-800-257-7777
Massachusetts	Dig Safe	1-888-344-7233
New Hampshire	Dig Safe	1-888-344-7233
Ohio	Ohio Utility Protection Service	1-800-362-2764
Pennsylvania	One Call	1-800-242-1776
Virginia	Miss Utility	1-800-552-7001

## Use only authorized payment agents

Protect your account and your utility service. If you pay your bill in person, please be careful to make your payment through a third-party bill payment agent that we've authorized to accept customer payments. We cannot provide assurance that payments made through an unauthorized bill payment service will be forwarded to us in a timely manner, if at all. Most important, always keep your receipt.

For a current listing of authorized payment agents in your area, visit our Web site and click on DirectLink e-Services. You'll find a directory of payment locations under the Pay My Bill link. Or call us and press option one after the initial greeting on our DirectLink automated phone system. From the next menu, press option two for payment options, then follow the prompts for payment locations.

## Energy Theft Is Unsafe — and Illegal

At considerable risk to themselves and others, energy thieves are becoming more aggressive and resourceful in bypassing gas and electric meters. People who install unauthorized connections to divert energy around meters are not only breaking the law, they're also endangering property and lives.

Each year, meter bypass or tampering results in the loss of billions of dollars in stolen energy across the country. Energy theft can cause higher prices for honest customers if utility companies are forced to increase rates to recover lost revenue for energy that was used but never reported or paid for.

You can help reduce risk and avoid personal injury. If you suspect that a meter might have been tampered with or bypassed, please contact us. We'll keep your name and all information confidential. Your call can help protect property and lives.



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

**Question No. 18**

Regarding response to AG-1-59: Provide the nature and purpose of the \$3,500 Ashland Alliance expense and the \$412 Chicago Club expense. In addition, provide a dollar amount breakout and description of the 6 expense items making up the \$978 expense for Invoices Under \$300.

**Response of Columbia Gas of Kentucky:**

The \$3,500 Ashland Alliance expense relates to a membership investment with the Chamber of Commerce and Regional Development Partnership serving the City of Ashland, and Boyd and Greenup counties.

The \$412 Chicago Club expense is the portion billed to Columbia Gas of Kentucky by NCSC for membership dues for the NiSource Chief Executive Officer. The Chicago Club is an organization that provides a medium for establishing key relationships in the business community, as well as exchanging first-hand experience on various business issues and strategic initiatives with other top leaders in organizations.

Provided below in Table AG-2-018 is the dollar amount breakout and description of the six expense items making up the \$978 for invoices under \$300.

**Table AG-2-018**

<b>Description</b>	<b>Amount</b>
Legislative Research Commission	\$265.00
Winchester Clark County Chamber of Commerce	\$245.00
Lexington Forum	\$225.00
Robert Trent Jones Golf Club	\$204.33
Commercial Club of Chicago	\$ 25.42
Skyline Club	\$ 12.83
<b>Total</b>	<b>\$977.58</b>





Columbia Gas of Kentucky Respondent: **Kelly Humrichouse and Susanne Taylor**

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

**Question No. 19**

It would appear that the Company has only responded to AG-1-61 with regard to service awards. The request also asked for test year expenses (direct expenses as well as NCSC-allocated expenses) associated with employee parties and outings (e.g., Christmas parties, company picnics, golf tournaments, other employee outings, etc.) and employee gifts. Please provide these expenses.

**Response of Columbia Gas of Kentucky:**

The chart of account classifications does not provide a method of providing this level of detail, and therefore, the requested information would be unreasonably burdensome to produce. To the extent that the Attorney General would want to review the thousands of invoices from which these expenses may be derived or ascertained, Columbia is willing to afford the Attorney General a reasonable opportunity to examine, audit or inspect such records and to make copies, compilations, abstracts, or summaries.



Columbia Gas of Kentucky Respondent: **Susanne M. Taylor and Kelly Humrichouse**

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

**Question No. 20**

The response to AG-1-68g indicates that the test year above-the-line expenses include \$200,853 for SERP expenses. In this regard, please provide the following information:

- a. Description of what the SERP benefit represents. In addition, explain whether this benefit program is an active on-going program for which current employees are eligible, or whether it is a program that has been discontinued for currently active employees, but is still active for retired employees.
- b. Actual SERP expenses (direct and NCSC-allocated) booked by the Company in each of the years 2002-2006.
- c. How many employees are the recipients of the \$200,853 SERP and what is/are the titles of these employees?
- d. Do the employees receiving the SERP benefit also receive the "regular" pension benefits for which all other Company employees are eligible?
- e. Reasons why the SERP expense should be charged to the ratepayers rather than the shareholders.

**Response of Columbia Gas of Kentucky:**

- a. The Supplemental Executive Retirement Plan (Plan) applies to those officers and other employees selected by the board of directors to participate in the plan. The Plan provides a retirement benefit at age 62, or age 60 and the completion of at least 25 years of service of the greater of (i) 60% of final average pay (prorated for less than 20 years of service) and an additional 0.5% of final average pay per year between 20 and 30 years of service, less 5% of Primary Social Security Benefits (prorated for less than 20 years of service) or (ii) the benefit formula under the NiSource qualified pension plan. Final average pay is determined by dividing the participant's total compensation during the 60 consecutive months within the last 120 months of service that produce the highest result, by the number of months for which the compensation was received. For purposes of the Plan, total compensation is compensation as defined in the NiSource Pension Plan (but disregarding the limitations required by Code Section 401(a)(17) and the 50% limitation application to bonuses). In addition, the Plan

Columbia Gas of Kentucky Respondent: **Susanne M. Taylor and Kelly Humrichouse**

provides certain early retirement and disability benefits and pre-retirement death benefits for the spouse of a participant.

The Plan is an active on-going program; however, no new participants have been added since January 2004.

- b. See Table AG-2-020b for the actual SERP expenses (direct and NCSC-allocated) booked by the Company in each of the years 2002-2006.

**Table AG-2-020b**

Year	CKY Direct	NCSC Allocated
2002	\$0	\$100,824.18
2003	\$0	\$140,400.67
2004	\$0	\$140,965.02
2005	\$0	\$165,337.29
2006	\$0	\$199,088.34

- c. There are 21 recipients of the \$200,853 test year SERP expense. The titles of the SERP recipients are the following: Vice Chairman, Group VP & Chief Technical Officer, VP Engineering & Construction, Treasurer, Sr. VP NI Generation and Transmission, Group VP Marketing and Communications, Director Major Accounts Relations, VP Support Operations, President, President Merchant Company, Chairman and CEO, Executive Vice President & CFO, VP Audit, Corporate Secretary, Chairman and CEO Executive Staff, Sr. VP & Environmental Counsel, Executive Staff-Finance and Accounting, President Primary Energy, General Manager, President Energy Distribution, and Executive VP Human Resources and Communications.
- d. Yes, the employees receiving the SERP benefit also receive the “regular” pension benefits for which all other Company employees are eligible.
- e. Columbia believes that SERP is part of a total compensation concept. NiSource performs periodic market analysis for compensation and other benefits and believes that in order to retain and attract quality employees must be able to compete for talent on equal footing. Columbia believes that retaining and attracting quality employees will provide an ultimate benefit to the CKY ratepayers.



Columbia Gas of Kentucky Respondent: **Susanne Taylor and Kelly Humrichouse**

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

**Question No. 21**

The response to AG-1-68g indicates that the test year above-the-line expenses include \$76,358 for employee moving expenses. In this regard, please provide the following information:

- a. For how many employees were these moving expenses incurred? And what were the positions and titles of these employees?
- b. Are these moving expenses associated with the employee severances resulting from the IBM agreement or resulting from the NCSC restructuring initiative resulting in severed executive employees, as announced by NiSource in the 4<sup>th</sup> quarter of 2005? If so, are these moving expenses included in the one-time IBM and/or NCSC related costs which the Company proposes to amortize over 3 years in this case?
- c. Actual employee moving expenses (direct and NCSC-allocated) booked by the Company in each of the years 2001 through 2006.
- d. Why should the CKY ratepayers pay for moving expenses incurred by NCSC personnel?

**Response of Columbia Gas of Kentucky:**

- a. The \$76,358 in moving expenses represents Columbia Gas of Kentucky's share of the costs incurred to move 16 NCSC employees during the test year. Table AG-2-021(a) details the positions and titles of the employees billed to Columbia Gas of Kentucky from NCSC for test year moving expenses.

Columbia Gas of Kentucky Respondent: **Susanne Taylor and Kelly Humrichouse**

**Table AG-2-021(a)**

<b>Position/Title</b>
Applications Support Manager
Director Audit
Director Risk Management
General Manager – COH/CKY
General Manager Operations East
Manager EH&S
Manager Information Systems Audit
Manager Operations Planning
President Pipeline Group *
Security Manager Distribution
Senior Analyst/Programmer *
Senior VP Distribution Operations
VP Energy Supply Services
VP Engineering
VP Support Operations
VP Work Management & GIS

\*Columbia Gas of Kentucky was billed less than \$3.00 for this moving expense.

- b. The \$76,358 in employee moving expenses are not associated with the employee severances resulting from the IBM agreement or the NCSC restructuring initiative resulting in severed executive employees.

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- c. Table AG-2-021(b) details the actual moving expenses for Columbia Gas of Kentucky and amounts NCSC billed Columbia Gas of Kentucky in the calendar years 2001 through 2006.

**Table AG-2-021(b)**

Year	CKY Direct	NCSC
2001	\$0	\$24,015.73
2002	\$(70.88)	\$51,608.98
2003	\$0	\$42,423.91
2004	\$0	\$41,420.38
2005	\$0	\$20,079.63
2006	\$24,971.99	\$73,106.30

- d. All of the administrative, managerial and technical services provided to Columbia by NCSC are essential for the operation of a utility and using NCSC to provide these services enables Columbia and its customers to gain economies of scale and expertise which may not otherwise be available to a utility the size of Columbia, or available at prohibitive cost. Through NCSC's larger scale, Columbia is able to benefit from NCSC's ability to attract and retain support and expertise which could be cost-prohibitive for Columbia to employ as a stand-alone utility. If Columbia did not incur this share of the moving expenses of the NCSC employees, Columbia would have incurred greater costs by paying the full salaries and moving expenses to provide these functions for itself. NiSource performs periodic market analyses for compensation and other benefits and believes that in order to retain and attract quality employees, NiSource must be able to compete for talent on equal footing. Reimbursement of certain moving expenses is part of a total compensation program. In order to maintain costs and to secure the highest level of expertise, the operating utilities in the NiSource system do not retain separate engineering vice presidents, security managers or audit and risk management directors. These positions, and the others listed, support the various operating utilities and their customers. Thus, the ability to retain and attract quality employees and retain them in a cost-effective manner is a benefit to Columbia's customers.





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**Question No. 22**

Please provide a dollar breakout and description of all of the expense items making up the \$1,913 employee welfare expenses listed in the response to AG-1-68.

**Response of Columbia Gas of Kentucky:**

The \$1,913 represents expenses allocated to Columbia Gas of Kentucky from NCSC to administer its Employee Assistance Program (EAP). EAP is part of the NiSource benefits package, and is available to employees and their families. EAP covers a wide range of areas, providing services related to: marital and family issues, child and elder care concerns, stress, anxiety and other emotional health topics, workplace concerns, legal and financial issues, substance abuse and dependency struggles, and health issues.

Please see Table AG-2-022 detailing the monthly amounts billed to Columbia Gas of Kentucky from NCSC to administer the EAP.

**Table AG-2-022**

<b>Month</b>	<b>Amount</b>
October	\$159.87
November	\$209.25
December	\$185.66
January	\$189.46
February	\$75.39
March	\$79.77
April	\$136.80
May	\$78.53
June	\$88.30
July	\$234.20
August	\$251.66
September	\$224.51
<b>Total</b>	<b>\$1,913.40</b>



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**Question No. 23**

Please identify any "spousal" expenses (e.g., included in travel and lodging, meals and entertainment expenses) included in the test year direct CKY and NCSC-allocated expenses.

**Response of Columbia Gas of Kentucky:**

NCSC billed Columbia Gas of Kentucky \$23.28 in spousal expenses during the test year for meals and entertainment expense. These expenses were booked in FERC Account 923 on Columbia Gas of Kentucky's books.

There were no spousal expenses booked directly on Columbia's books.



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**Question No. 24**

With regard to the response to AG-1-44c, were the costs associated with the 2000, 2001 and 2002 restructuring initiatives expensed as incurred or were they deferred and amortized? Please explain the accounting treatment of these costs for both book and ratemaking purposes.

**Response of Columbia Gas of Kentucky:**

The costs associated with the 2000, 2001 and 2002 restructuring initiatives were expensed as incurred for book purposes. The accounting treatment of these costs is in accordance with Financial Accounting Standards Board's (FASB) Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring). EITF 94-3 has since been replaced with FASB Statement No. 146, Accounting for Costs Associated with Exit or Disposal Activities.

These costs were not deferred for ratemaking purposes, and as such, no authorization was sought for these expenses or received from the Kentucky PSC.



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**Question No. 25**

With regard to the pro forma NCSC costs shown on Schedule D-2.8, Sheet 1, please confirm the following information:

- a. The "normalized ongoing NCSC costs" of \$8,974,936 represent the estimated going level NCSC costs expected to be incurred during the first full year new rates would be in effect, assumed to be starting around the end of 2007. If you do not agree, state your disagreement.
- b. The starting point of the normalized ongoing NCSC costs of \$8,974,936 is the actual unadjusted test year NCSC O&M expense of \$9,265,162, which the Company then adjusted with the following three adjustments: (1) removal of all one-time NCSC costs booked in the test year; (2) adding a pro forma expense increase to reflect the going level IBM costs expected to be incurred during the first full year new rates would be in effect; and (3) adding a pro forma expense adjustment to reflect the annualization of 2007 NCSC labor and benefit expenses. If you do not agree, state your disagreement.

**Response of Columbia Gas of Kentucky:**

- a. Per Schedule D-2.8, Sheet 1 of 2, \$8,974,936 was reported as the normalized ongoing NCSC costs. NCSC will be making three adjustments to the \$8,974,936 for the following items: (1) six months of depreciation expense on the Marble Cliff facility will be excluded from test year or \$8,922 (\$1,479 x 6 months) plus an adjustment of \$13,314, or nine of the twelve months depreciation expense, to exclude depreciation expense on the mainframe asset owned by NCSC (Refer to AG-2-31); (2) two employees included in the NCSC restructuring program actual severance dates fall outside the test period, and thus their labor expense included in the test period is \$26,583 (Refer to AG-2-30e); and (3) an adjustment of labor for \$90,218 will reflect the ongoing level of NCSC employees charging Columbia Gas of Kentucky at 9-30-06 which will exclude the IBM-related terminations as well as the NCSC severances which occurred prior to or during the test year.
- b. Yes, this calculation is complete and accurate to the best of our knowledge, less the adjustments noted in AG-2-25(a) above. Please refer to AG-2-25 Attachment for a re-calculation of the normalized ongoing NCSC costs of \$8,835,899.



Attorney General Data Request Set 2  
 Question No. 25 Attachment  
 Columbia Gas of Kentucky Respondent: Susanne Taylor and Kelly Humrichouse

Purpose and Description	Reference	Amount
Normalized ongoing NCSC costs	Schedule D-2.8, Sheet 1 of 2	\$ 8,974,936
Less depreciation expense for Marble Cliff Facility and Mainframe Asset	AG-2-031	22,236
Less labor dollar adjustment for two NCSC severances outside test year	AG-2-30e	26,583
Less adjustment to reflect annualization of labor dollars at 9-30-06	AG-2-27 b (3)	90,218
Revised Normalized ongoing NCSC costs		<u>8,835,899</u>



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**Question No. 26**

With regard to the response to AG-1-50a, please confirm the following information:

- a. As a result of the new IBM contract, 31 call center employees were severed by CKY prior to and during the test year. This employee severance resulted in \$812,778 one-time severance costs which the Company is proposing to amortize in rates in this case. If you do not agree, state your disagreement.
- b. The 31 call center employees are no longer reflected in the 9/30/06 test year-end total CKY employee level of 134 which the Company has used to determine the pro forma annualized payroll expenses in this case. Therefore, under the Company's proposed rate treatment, both the (one-time) costs and annual savings from this employee severance would be reflected in the rates to be established in this case. If you do not agree, state your disagreement.

**Response of Columbia Gas of Kentucky:**

- a. Yes, this severance resulted in \$812,778 of one-time severance related costs which the Company is proposing to amortize in this rate case.
- b. Yes, the Company agrees that under the proposed rate treatment, both the (one-time) costs and annual savings from this employee severance would be reflected in the rates to be established in this case.



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**Question No. 27**

With regard to the response to AG-1-46 and AG-1-47a, please provide the following information:

- a. As confirmed in the response to AG-1-47a, as of December 31, 2006, 872 employees were severed from NiSource as a result of the IBM agreement and 196 of the 872 severed employees were NCSC employees; and, as confirmed in the response to AG-1-46c, the one-time severance costs associated with these severed employees amount to \$2,308,090, which the Company is proposing to amortize in rates in this case. Please confirm this. If you do not agree, explain your disagreement.
- b. As confirmed in the response to AG-1-46b, the above-referenced employeee severance occurred prior to and during the test year and any payroll<sup>1</sup> reduction savings were booked started in the month after the severance. In this regard, please provide the following additional confirmation and information:
  - 1) Since the starting point of the Company's proposed normalized ongoing NCSC expenses of \$8,974,936 is the actual unadjusted per books test year NCSC expenses, the Company's proposed pro forma NCSC expenses on Schedule D-2.8, Sheet 1 do not reflect the *annualized* payroll savings from the NCSC employees that were severed *during* the test year (i.e., the company did not base the pro forma NCSC payroll costs chargeable to CKY on the 9/30/06 test year-end NCSC employee level as it did for the "direct" CKY payroll). Rather, the Company's proposed pro forma NCSC expenses on Schedule D-2.8, Sheet 1 only reflect the actual "as they fall" payroll savings booked in the test year after the particular employee severances took place during the test year. If you do not agree, please explain your disagreement.

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<sup>1</sup> Which should include wages/salaries and all payroll overhead such as fringe benefits, payroll taxes, and other employee related expenses.

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- 2) Basing the normalized ongoing NCSC costs in this case on the test year-end NCSC employees (which would exclude the full impact of most of the IBM agreement-related NCSC employee severances prior and during the test year) would be consistent with the Company's objective to reflect the going level NCSC costs expected to be incurred during the first full year new rates would be in effect. If you do not agree, please explain your disagreement.
- 3) Please re-calculate the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1 based on the actual NCSC level of employees as of 9/30/06, which employee level would exclude all of the IBM-related severances experienced by NCSC prior to and during the test year. Provide all work papers in support of this recalculation.

**Response of Columbia Gas of Kentucky:**

- a. No, we disagree with this statement. The one-time severance costs associated with the 196 severed employees amount to \$747,521. The \$2,308,090 represents total IBM related one-time costs which the Company is proposing to amortize in rates in this case.
- b.
  - (1) Any payroll savings experienced as a result of the outsourcing reduction would be reflected when the termination occurred, and was not annualized during the test year. However, the NCSC 2007 annualized labor and benefits adjustment shown in Schedule D-2.8, Sheet 1, Line 6, does not include those employees who were terminated before or during the test year.
  - (2) We do agree that basing the normalized ongoing NCSC costs on the test year-end NCSC employees (which would exclude the full impact of most of the IBM agreement-related NCSC employee severances prior and during the test year) would be consistent with the Company's objective to reflect the going level NCSC costs expected to be incurred during the first full year new rates would be in effect. Please refer to AG-2-27 b (3) for a recalculation of the NCSC labor based on the actual NCSC level of employees as of 9/30/06, which would exclude all of the IBM-related terminations as well as NCSC employee severances experienced by NCSC prior to and during the test year.

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- (3) The actual number of NCSC employees who charged Columbia Gas of Kentucky during the month of September was 477 employees. The labor dollars (including benefits, incentive compensation, payroll taxes, and other labor related overhead costs) billed to Columbia Gas of Kentucky during September 2006 was \$250,847.40, therefore, \$3,010,194.36 ( $\$250,847.40 \times 12 = \$3,010,194.36$ ) is the annualized NCSC labor amount based on 9/30/06 amounts. The amount included in the test year for NCSC labor dollars billed to Columbia Gas of Kentucky was \$3,100,412.17 an adjustment of \$90,217.81 will be made to the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1. Please refer to AG-1-25 Attachment for a re-calculation of the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1, based on the actual NCSC level of employees as of 9/30/06.





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**Question No. 28**

With regard to the response to AG-1-46-b, please provide the following information:

- a. In the same format as currently shown in the table at the bottom of the response, provide the monthly employee severances prior to 7/05 (if any), for 7/05 (illegible), and for 11/06 and 12/06. In addition, reconcile the total of these monthly employee severances to the total 872 employee severance as of 12/31/06 referenced in the response to AG-1-46a/47a.
- b. If the table currently shown (and to be expanded in response to part a above) represents NiSource employee severance (rather than NCSC severances), provide a similar table showing the monthly NCSC employee severances for each month in 2005 and 2006. In addition, reconcile the total of these monthly employee severances to the total 196 NCSC employee severance as of 12/31/06 referenced in the response to AG-1-46a/47a.

**Response of Columbia Gas of Kentucky:**

- a. Severances prior to July 2005 are unrelated to "Restructuring Activities" as cited from NiSource's 2005 Form 10K in request AG – 1 – 46, noted above, and unrelated to one-time costs included the cost of service for this case. Please use the table in section (b) of this same question to see the months in which employees were severed, otherwise left NiSource or were "rebadged" as IBM employees as a result of the IBM contract implementation. The monthly data provided as the response to AG Set 1 – 046 used a source which counted these employees differently (it was based on a mid-month count vs. an end of month/last date of service with NiSource count). The total has not changed, but the information shifts slightly by month. There was one additional severance in November 2006. The total of these monthly severances across the entire NiSource corporation is 916 including the one from November, 2006. This 916 total includes employees receiving severance, employees "rebadged" as employees with IBM, and employees leaving NiSource without being rebadged as IBM employees prior to their severance date. The 872 employee severance as provided in response to AG-1-46a/47a represents total NiSource employees either receiving a severance or transferring to IBM (rebadged). The difference between the 872 and the 916 are those employees who left NiSource prior to their severance dates and were not rebadged.

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- b. Table AG-2-028 below provides the number of employees leaving NCSC as a result of the outsourcing initiative. Payroll reductions pertaining to these employees have been recognized each month after the exit dates noted in this table. The counts below do not include employees who left NCSC prior to their severance dates and were not rebadged.

**Table AG-2-028**

Month	Rebadged (1)	Severed (2)	Total NCSC (1) + (2)	Total NiSource Corporation*
Jul-05	310	0	310	501
Aug-05	2	5	7	18
Sep-05	3	6	9	54
Oct-05	6	5	11	46
Nov-05	37	32	69	75
Dec-05		7	7	25
Jan-06	5	114	119	126
Feb-06	7	7	14	15
Mar-06	1	2	3	3
Apr-06	2	9	11	19
May-06		3	3	21
Jun-06		2	2	2
Jul-06		1	1	2
Aug-06		1	1	1
Sep-06				4
Oct-06		2	2	4
Nov-06				
Dec-06				
<b>Total</b>	<b>373</b>	<b>196</b>	<b>569</b>	<b>916</b>

\* Includes 44 (916-872) employees who left NiSource prior to their severance dates and were not rebadged as noted in AG-2-028a.



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**Question No. 29**

What is the average labor cost per NCSC employee included in the normalized ongoing NCSC cost amount of \$8,974,936? [Note: the average labor cost per NCSC employee should include salaries/wages, incentive compensation, fringe benefits (pension, OPEB, health insurance, life insurance, LTD, STD, SERP, etc.), payroll taxes, and other labor related overhead costs.]

**Response of Columbia Gas of Kentucky:**

The average labor cost (including benefits, incentive compensation, payroll taxes, and other labor related overhead costs) per NCSC employee included during the test year is \$503.07. The average labor cost of \$503.07 was calculated by taking the test year labor dollars of \$3,100,412.17 divided by twelve months to derive an average monthly labor amount ( $\$3,100,412.17/12=\$258,367.68$ ), then dividing the average monthly labor amount by the average number of NCSC employees who charged Columbia Gas of Kentucky during the test year, or 513.58 employees ( $\$258,367.68/513.58=\$503.07$ ).



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**Question No. 30**

With regard to the response to AG-1-45, please provide the following information:

- a. Provide a table showing the exact dates (months) in 2005 and 2006 (through 12/31/06) and the corresponding number of NCSC employee severances experienced by NCSC as a result of the executive employee reduction announced by NiSource in the fourth quarter of 2005.
- b. In the response to AG-1-45c, the Company states that the one-time severance costs associated with these NCSC employee severances are included on Schedule D-2.8, Sheet 2, line 11 (\$79,348) and line 13. Since the \$812,778 shown in line 13 is represented to be the "direct" severance costs associated with the 31 CKY employee severances, explain what portion of the \$812,778 in line 13 relates to the above-referenced NCSC severances.
- c. Please confirm that the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1 only reflects the payroll savings experienced and booked by NCSC *after* the employee severance on an "as it falls" basis and does not reflect the annualized impact of the payroll savings associated with each employee severance during and after the test year.
- d. Explain in more detail the Company's response to AG-1-45a that the severances related to this restructuring occurred prior to and during the test period, *except for two individuals*.
- e. Please re-calculate the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1 based on the actual NCSC level of employees as of 9/30/06, which employee level would exclude all of the severances experienced by NCSC under this restructuring program prior to and during the test year and, in addition, would exclude the two positions severed after the end of the test year. Provide all work papers in support of this re-calculation.

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**Response of Columbia Gas of Kentucky:**

- a. Please refer to Table AG-2-030 for the timing of the NCSC employee severances experienced by NCSC through 12/31/06 as a result of the executive employee reduction. No severances occurred in 2005.

**Table AG-2-030**

Month	Employees
Mar-06	4
Apr-06	4
May-06	1
Jun-06	0
Jul-06	0
Aug-06	0
Sep-06	3
Oct-06	0
Nov-06	0
Dec-06	0
	<b>12</b>

- b. There is no portion of the \$812,778 shown in line 13 on Schedule D-2.8, Sheet 2 that relates to the NCSC employee reduction.
- c. Any payroll savings experienced as a result of the NCSC employee reduction would be reflected when the severance occurred, and was not annualized during the test year. However, the NCSC 2007 annualized labor and benefits adjustment shown in Schedule D-2.8, Sheet 1, Line 6, does exclude the employees listed in response AG-2-030(a), except for one individual who has not been terminated to date.
- d. Two of the individuals were severed or will be severed outside of the test period. One individual was terminated in January 2007 as a result of the NCSC employee reduction. One other individual has a planned termination, but the date has yet to be determined.

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- e. Refer to AG-2-25 Attachment which provides the re-calculation of the normalized ongoing NCSC costs of \$8,974,936 on Schedule D-2.8, Sheet 1 based on the actual NCSC level of employees as of 9/30/06, which excludes all of the severances experienced by NCSC under this restructuring program as well as the outsourcing initiative prior to and during the test year, as well as the two positions severed after the end of the test year. The labor amounts (including benefits, incentive compensation, payroll taxes, and other labor related overhead costs) included in the test period for these two employees is \$26,583.10.





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**Question No. 31**

With regard to the proposed amortization of the NCSC-related Loss on Mainframe and Marble Cliff Building costs, please provide the following information:

- a. When (month & year) were these costs booked by NCSC?
- b. Were these costs expensed when incurred or deferred? In addition, explain in which account (acct number and title) these losses were recorded.
- c. What are the benefits to the ratepayers of the loss on mainframe and sale of Marble Cliff building?
- d. Why should the ratepayers of CKY be charged with these one-time losses?

**Response of Columbia Gas of Kentucky:**

- a. The NCSC-related loss on mainframe of \$38,033 was recorded in July 2006, the loss on the Marble Cliff building was recorded in April 2006 in the amount of \$94,973, and a true-up was made in June 2006 for \$336.
- b. The costs were expensed when incurred and recorded by Columbia Gas of Kentucky in Account 923, Outside Services Employed.
- c. The one-time impairment loss on the building represents the current book value versus the market value of the building. While this building is not yet sold, the loss was recognized once firm plans were in place to vacate. NiSource owns this building and has ceased recording depreciation on this facility as of April 2006. As such, a lower level of depreciation expense has been assigned to Columbia by NCSC. This lower level was reflected in the test year level and was left unadjusted. Any remaining related expenses are currently continued since the facility has not yet been sold but will be reduced and passed through to ratepayers in future rate cases. The benefit to the ratepayer from the "sale of Marble Cliff Building" is through current and future cost containment.

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- d. The loss on the mainframe relates to a replacement of the mainframe asset and was necessary for business purposes for NCSC's Information Technology Services to upgrade its systems. Depreciation of the mainframe asset ceased in July 2006. The current mainframe charges are now included within the IBM contract. The benefit to the ratepayer from the "loss on the mainframe" is from upgraded systems which have and will continue to provide efficiencies. Based upon the cost containment and upgraded technology benefits that these initiatives will produce for customers as noted in part c, Columbia believes that it is appropriate to flow the one-time costs related to the mainframe and Marble Cliff building through to its customers. These are necessary and appropriate business costs, in addition to being one-time costs which will be offset with ongoing expense reductions, as well as indirect benefits from upgraded systems.



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**Question No. 32**

With regard to the response to AG-1-72, what specific review process has the Commission established for CKY in terms of each of the six items listed in AG-1-72?

**Response of Columbia Gas of Kentucky:**

The Commission has not yet established a review process for CKY. Columbia seeks to follow the review process similar to that the Commission employs for Duke Energy-Kentucky.



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**Question No. 33**

With regard to the response to PSC-2-33e, please indicate whether the monthly charge resulting from CKY approved AMRP Rider represents a per customer charge or a volumetric-based charge.

**Response of Columbia Gas of Kentucky:**

The monthly charge is to be a per customer charge not a volumetric charge. The amount per customer may differ based on the customer's applicable rate schedule but the charge will be per customer, not per Mcf.





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**Question No. 34**

The proposed PISCC rate mechanism constitutes single-issue ratemaking. Please confirm your agreement with this statement. If you do not agree, explain your disagreement.

**Response of Columbia Gas of Kentucky:**

I do not agree. This is a general rate case, containing several proposals, of which PISCC is but one. As stated on page 18 of my testimony, recovery of PISCC will be a part of the normal rate case process in the future. The proposed PISCC mechanism is simply an accounting treatment that establishes a regulatory asset as described in the testimony of Columbia witness June M. Konold. This in no way constitutes single-issue ratemaking.