

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

A NiSource Company

P.O. Box 14241  
2001 Mercer Road  
Lexington, KY 40512-4241

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P. O. Box 615  
Frankfort, KY 40602

May 22, 2007

RECEIVED

MAY 22 2007

PUBLIC SERVICE  
COMMISSION

RE: CASE NO. 2007-00008  
An Adjustment of Gas Rates of Columbia Gas of Kentucky, Inc.

Dear Ms. O'Donnell,

Pursuant to the Commission's Order of May 8, 2007, please find enclosed and original and seven (7) copies of the responses of Columbia Gas of Kentucky, Inc., ("Columbia"). An original and seven (7) copies of the responses of Columbia to the Requests for Information by the Attorney General and Interstate Gas Supply, Inc. are also enclosed.

Sincerely,



Judy M. Cooper  
Director, Regulatory Policy

**CERTIFICATE OF SERVICE**


I hereby certify that a copy of the foregoing responses of Columbia Gas of Kentucky, Inc. were served via either personal hand delivery, First Class U.S. Mail postage prepaid or overnight mail on the following parties, all on this 22<sup>nd</sup> day of May, 2007.

Hon. Dennis G. Howard, II  
Hon. Lawrence W. Cook  
Assistant Attorney General  
Office of the Attorney General  
Utility and Rate Intervention Division  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

Matthew Malone  
Hurt, Crosbie & May PLLC  
The Equus Building  
127 West Main Street  
Lexington, Kentucky 40507  
Attorney for Interstate Gas Supply, Inc.

Hon. David J. Barberie  
Hon. Leslye M. Bowman  
Lexington-Fayette Urban  
County Government  
Department of Law  
200 East Main Street  
Lexington, Kentucky 40507

Hon. David F. Boehm  
Boehm, Kurtz & Lowry  
36 E. Seventh Street, Suite 1510  
Cincinnati, Ohio 45202  
Attorney for Kentucky Industrial Utility Customers

  
\_\_\_\_\_  
Mark R. Kempic, Esq.  
Attorney for Columbia Gas of Kentucky, Inc.



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

**Question No. 1**

Refer to the response to the Commission Staff's Second Data Request dated April 10, 2007 ("Staff's Second Request"), Item 1.

- a. In Item 1(a) Columbia was requested to explain in detail why the rate base and capital presented in the Application, Tab 27, did not agree with Schedules B-1 and J-1. While Columbia submitted a corrected schedule for Tab 27 that agrees with the referenced schedules, it did not provide the requested explanation of why the schedules did not agree. Provide the originally requested explanation.
- b. In Item 1(b) Columbia was requested to provide the originally requested reconciliation of rate base and capital, starting with the proposed rate base, then listing and identifying all reconciling items, and concluding with the proposed capital. The response indicates that the corrected schedule for Tab 27 is the reconciliation. Neither the original version of the schedule provided with Tab 27 nor the corrected version of that schedule provides the requested reconciliation of rate base and capital. Provide the reconciliation as requested in Item 1(b).

**Response of Columbia Gas of Kentucky:**

- a. Application, Tab 27 and the revised Tab 27 as provided in response to PSC's data request issued April 10, 2007, Item 1 both provide a rate base level and a capitalization level. The difference between capitalization as provided on Tab 27 of \$127,980,551 and the capitalization used by Witness P. R. Moul of \$152,032,872 on Schedule J-1 is short-term of \$8,052,333 and a \$16,000,000 long-term note issued in November 2006 and as addressed in Witness P. R. Moul's testimony on page 21. The difference between rate base of \$171,447,599 and capitalization of \$152,032,872 is provided in part b of this response.

b. <u>Rate Base</u>	\$171,447,599
13 month average over-collection of gas expense	(\$ 16,705,792)
13 month average over-collected CHOICE transition	(\$ 3,711,842)
Other various items both long and short-term in nature	<u>\$ 1,002,907</u>
Proposed Capital	\$152,032,872



**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
PSC CASE NO. 2007-00008  
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**Question No. 2**

Refer to the response to the Staff's Second Request, Item 2(b). The request identified specific account numbers and sought information about the accounts. As part of the request, Columbia was to describe the account and the activity recorded in each account. This information was omitted from the response. Provide the originally requested information.

**Response of Columbia Gas of Kentucky:**

2007-00008 PSC Set 3-002 Attachment is a duplicate of the attachment provided in response to Staff Second Request, Item 2 (b), but includes a more descriptive explanation of the accounts noted. The attachment, as the original, indicates whether the accounts are applicable to CKY (Column 6), the activity in the test year (Column 7), and/or the balance if any at the end of the test year (Column 8). Please note that the *Chart of Accounts provided with the application under Filing Requirement #6-j* is a common chart of accounts for all the Columbia Distribution Companies and shows which accounts are applicable to each company. Columbia of Kentucky does not use every account included in the chart of accounts, and thus, a zero balance is indicated for those accounts.

Columbia Gas of Kentucky, Inc.  
Case No. 2007-00008

<u>Account</u> (1)	<u>Auxiliary</u> (2)	<u>Activity</u> (3)	<u>Facility</u> (4)	<u>Description</u> (5)	<u>Used by Columbia's</u> <u>CKY Operations</u> (6)	<u>Activity</u> (7)	<u>Balance as of</u> <u>Sept. 30, 2007</u> (8)
143	9900	10842		Receivable - Lake Choctaw : This receivable was applicable to Columbia Gas of Ohio only, and represented a receivable related to a project in which Columbia Gas of Ohio was involved.	No	N/A	N/A
165	0067	11190		Pension Restoration Plan: The account included prepayments of a non-qualified pension plan of certain executives. As noted in Columns 7 & 8 no activity occurred during the test year.	Yes	None	0
182	3417	12495		Deferred Assets - Longwall Mining Project: This regulatory asset included longwall mining costs incurred by Columbia of Pennsylvania and recoverable from its customers.	No	N/A	N/A
182	3499	12540		Other Current Regulatory Assets - Super 8 Motel: This regulatory asset represents injury and damages costs incurred by Columbia Gas of Maryland and recoverable from its customers.	No	N/A	N/A
242	0047		101233	Special Employee Severance Program - Delayering - Out Place: This account recognized a liability related to a Corporate initiative implemented in early 2000 to improve efficiencies.	Yes	None	0
921		00046		A&G Expenses - Supplies/Expenses - Volunteer Activity: This account is applicable to Columbia of Maryland and Pennsylvania and included incremental costs incurred by those companies related to volunteer activity.	No	N/A	N/A
921		07685		A&G Expenses - Supplies/Expenses - Name Change: This account included incremental costs incurred by Columbia Gas of Virginia when changing its corporate name from Commonwealth Gas Services to Columbia Gas of Virginia. As noted in Column 6, the costs were applicable to Columbia of Virginia.	No	N/A	N/A
921		08141		A&G Expenses - Supplies/Expenses - STRIVE: The account included incremental costs incurred by Columbia by a special task force established in the late eighties/early nineties to identify strategic opportunities. The task force ceased meeting in the early nineties.	Yes	None	0

Columbia Gas of Kentucky, Inc.  
 Case No. 2007-00008

<u>Account</u> (1)	<u>Auxiliary</u> (2)	<u>Activity</u> (3)	<u>Facility</u> (4)	<u>Description</u> (5)	<u>Used by Columbia's</u> <u>CKY Operations</u> (6)	<u>Activity</u> (7)	<u>Balance as of</u> <u>Sept. 30, 2007</u> (8)
921		08142		A&G Expenses - Supplies/Expenses - Project Phoenix: The account included incremental costs of the Phoenix Project incurred in the mid nineties.	Yes	None	0
923		07652		A&G Expenses - Outside Services - Education 2000: The account included incremental costs incurred as a result of the Education 2000 initiative. This Corporate initiative provided assistance to public schools in the Company's operating territory.	Yes	None	0





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

**Question No. 3**

Refer to the response to the Staff's Second Request, Item 5(b). Several of the responses to Item 5(b) refer to "estimates of other gas utilities" and "expectations within the gas industry."

- a. Provide copies of the estimates of other gas utilities that were utilized by Mr. Spanos to develop his depreciation rate recommendations. Indicate the sources of these estimates.
- b. Provide the source(s) for the "expectations within the gas industry" relied upon to develop the proposed depreciation rates and include copies of any documentation of these expectations.

**Response of Columbia Gas of Kentucky:**

- a. The attached document sets forth service life and net salvage estimates of other gas utilities in the United States and Canada. These estimates are the most up-to-date parameters available. Most of the estimates are studies performed by Gannett Fleming.
- b. Most references to "expectations within the gas industry" relied upon by Mr. Spanos to develop the proposed life and salvage parameters were obtained in discussions with operating personnel of many gas utilities during the conduct of depreciation studies. These expectations have been discussed with each utility during a study. An example of expectations within the gas industry related to gas mains that Mr. Spanos has learned is that most main is retired in place. Therefore, such main would have no expected gross salvage value, but there would still be cost to retire associated with such main.

SERVICE LIFE / T SALVAGE STATISTICS - GAS

ACCT	DESCRIPTION	CLIENT: STUDY DATE: PROCEDURE		CENTERPOINT ENERGY ARKANSAS 2004		ALLIANT ENERGY WISCONSIN POWER & LIGHT 2005		AMERENUE 2005		CENTERPOINT ENERGY OKLAHOMA 2003		CENTRA GAS BRITISH COLUMBIA 2001		CITIZENS GAS AND COKE UTILITY 2005		COLUMBIA GAS OF KENTUCKY 2005	
		ELG / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE
301.0	FRANCHISES AND CONSENTS																
302.0	OTHER INTANGIBLE PLANT																
303.0	MISC. INTANGIBLE PLANT - 15 YEAR																
303.0	MISC. INTANGIBLE PLANT - 5 YEAR																
303.0	MISC. INTANGIBLE PLANT																
303.1	MISC. INTANGIBLE PLANT - SOFTWARE																
303.2	MISC. INTANGIBLE PLANT - CUSTOMER INFO S																
303.3	MISC. INTANGIBLE PLANT - IND. AND COMM																
303.4	MISC. INTANGIBLE PLANT - CRMS																
303.5	MISC. INTANGIBLE PLANT - POWERPLANT SW																
304.1	RIGHTS OF WAY																
305.0	STRUCTURES AND IMPROVEMENTS																
307.0	OTHER POWER EQUIPMENT																
309.0	PROCESSING PLANTS																
311.0	LIQUEFIED PETROLEUM GAS EQUIPMENT																
311.1	LIQUEFIED PETROLEUM GAS EQUIPMENT - STORAGE CAVERNS																
311.2	LIQUEFIED PETROLEUM GAS EQUIPMENT - ELEC EQUIPMENT																
311.3	LIQUEFIED PETROLEUM GAS EQUIPMENT - PUMPS MOTORS AND COMPR																
311.4	LIQUEFIED PETROLEUM GAS EQUIPMENT - INSTRUMENTS																
311.5	LIQUEFIED PETROLEUM GAS EQUIPMENT - STATION PIPING																
311.6	LIQUEFIED PETROLEUM GAS EQUIPMENT - TANKS																
319.0	PRESSURE REGULATING EQUIPMENT																
320.0	OTHER EQUIPMENT																
325.1	PRODUCING LANDS																
325.2	PRODUCING LEASEHOLDS																
325.3	GAS RIGHTS																
325.4	RIGHTS OF WAY																
327.0	FIELD COMPRESSOR STATIONS STRUCTURES																
328.0	FIELD M&R STATION STRUCTURES																
329.0	OTHER STRUCTURES																
330.0	PRODUCING GAS WELL CONSTRUCTIONS																
331.0	PRODUCING GAS WELL EQUIPMENT																
332.0	FIELD LINES																
333.0	FIELD COMPRESSOR STATION EQUIPMENT																
334.1	FIELD M&R STATION EQUIPMENT - OTHER																
334.1	FIELD M&R STATION EQUIPMENT - PURCHASE GAS																
334.1	FIELD MEASURING AND REGULATING STATION EQUIPMENT - METERS																
335.0	DRILLING AND CLEANING EQUIPMENT																
336.0	PURIFICATION EQUIPMENT																
337.0	OTHER EQUIPMENT																
337.1	OTHER EQUIPMENT - LABORATORY																
337.2	OTHER EQUIPMENT - ODORIZATION																
337.3	OTHER EQUIPMENT - FURNITURE AND FIXTURES PRODUCTION																
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337.5	OTHER EQUIPMENT - TOOLS																
337.6	OTHER EQUIPMENT - COMMUNICATION EQUIPMENT																
340.1	LAND AND LAND RIGHTS - SURFACE LEASE																
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341.0	STRUCTURES AND IMPROVEMENTS																
342.0	EXTRACTION AND REFINING EQUIPMENT																
343.0	PIPE LINES																
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347.0	OTHER EQUIPMENT																
350.2	LAND RIGHTS																
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350.2	RIGHTS OF WAY																
351.0	STRUCTURES AND IMPROVEMENTS																

40 - SQ 0  
25 - SQ 0

60 - R3 0

36 - L1.5 0

25 - L2 0

36 - R1 0

40 - R2.5 0







SERVICE LIFE / T SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	CENTERPOINT ENERGY OKLAHOMA 2003		AMERENUE 2005		ALLIANT ENERGY WISCONSIN POWER & LIGHT 2005		CENTERPOINT ENERGY ARKANSAS 2004		CITIZENS GAS AND COKE UTILITY 2005		COLUMBIA GAS OF KENTUCKY 2005	
		ELG / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE
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392.1	TRANSPORTATION EQUIPMENT - NGV KITS												
392.2	TRANSPORTATION EQUIPMENT - TRAILERS												
392.5	TRANSPORTATION EQUIPMENT - CNG CONVERSION KITS												
393.0	STORES EQUIPMENT												
394.0	TOOLS SHOP AND GARAGE EQUIPMENT												
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394.1	TOOLS SHOP AND GARAGE EQUIPMENT - CNG EQUIPMENT QUICK FILL												
394.1	COMPRESSOR												
394.1	TOOLS SHOP AND GARAGE EQUIPMENT - CNG EQUIPMENT OTHER												
394.2	TOOLS SHOP AND GARAGE EQUIPMENT - SHOP EQU												
394.2	TOOLS, SHOP & GARAGE EQUIPMENT - CNG EQU												
395.0	LABORATORY EQUIPMENT												
395.0	POWER OPERATED EQUIPMENT												
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397.1	COMMUNICATION EQUIPMENT - STRUCTURES												
397.2	COMMUNICATION EQUIPMENT - NON MOBILE&TEL												
397.3	COMMUNICATION EQUIPMENT - BASE STATIONS												
397.3	COMMUNICATION EQUIPMENT - TELEMETER OTHER												
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397.6	COMMUNICATION EQUIPMENT - MISCELLANEOUS												
397.7	COMMUNICATION EQUIPMENT - TEST EQUIPMENT												
397.8	COMMUNICATION EQUIPMENT - COMPUTERS												
398.0	MISCELLANEOUS EQUIPMENT												
398.1	MISCELLANEOUS EQUIPMENT - PRINT SHOP/KITCHEN												
398.5	MISCELLANEOUS EQUIPMENT - OTHER												
399.0	OTHER INTANGIBLE PROPERTY - COMP. SOFTWARE												

15 - L2 20

13 - R0.5 5

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21 - S2.5 5

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15 - S1 25

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SERVICE LIFE A T SALVAGE STATISTICS - GAS

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		STUDY DATE	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR	ASL / Rem Life	NET SURVIVOR
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351.0	STRUCTURES AND IMPROVEMENTS																					

75 - R4 (5)  
45 - R3 0









SERVICE LIFE A T SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	SIERRA PACIFIC POWER COMPANY			APOLLO GAS COMPANY			CENTENNIAL PIPELINE LLC			CENTERPOINT ENERGY - FIELD SERVICES			CENTERPOINT ENERGY - GAS TRANSMISSION			CENTERPOINT ENERGY - GENERAL			CENTERPOINT ENERGY - OKLAHOMA		
		STUDY DATE	CLIENT	PROCEDURE	ASL / Rem Life	SURVIVOR	NET CURVE	ASL/ELG Rem Life	SURVIVOR	NET CURVE	ASL / Rem Life	SURVIVOR	NET CURVE	ASL / Rem Life	SURVIVOR	NET CURVE	ASL / Rem Life	SURVIVOR	NET CURVE	ASL / Rem Life	SURVIVOR	NET CURVE
392.0	TRANSPORTATION EQUIPMENT - TRUCKS																					
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395.0	LABORATORY EQUIPMENT				15 - SQ	0																
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396.0	COMMUNICATION EQUIPMENT				15 - SQ	0		15 - L3														
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397.3	COMMUNICATION EQUIPMENT - TELEMETER OTHER																					
397.4	COMMUNICATION EQUIPMENT - TELEMTRY																					
397.4	COMMUNICATION EQUIPMENT - TELEMETER MICR																					
397.5	COMMUNICATION EQUIPMENT - TELEPHONE																					
397.5	COMMUNICATION EQUIPMENT - SCADA AND TELEMETERING																					
397.6	COMMUNICATION EQUIPMENT - MISCELLANEOUS																					
397.7	COMMUNICATION EQUIPMENT - TEST EQUIPMENT																					
397.8	COMMUNICATION EQUIPMENT - COMPUTERS																					
398.0	MISCELLANEOUS EQUIPMENT				15 - SQ	0		15 - L3														
398.1	MISCELLANEOUS EQUIPMENT - PRINT SHOP/KITCHEN																					
398.5	MISCELLANEOUS EQUIPMENT - OTHER																					
399.0	OTHER INTANGIBLE PROPERTY - COMP. SOFTWARE																					

12 - L2 0

14 - S2 0

7 - L0

30

11 - L0.5

30

SERVICE LIFE A T SALVAGE STATISTICS - GAS

ACCT	DESCRIPTION	CENTERPOINT ENERGY ARKLA - GENERAL 2002		CENTERPOINT ENERGY ARKLA - LOUISIANA 2002		CENTERPOINT ENERGY ARKLA - SERVICES 2002		CENTERPOINT ENERGY ENTEX - TEXAS DIVISION 2003		CINCINNATI GAS & ELECTRIC COMPANY 2000		COLUMBIA GAS OF MARYLAND 1995		COLUMBIA GAS OF OHIO 1998	
		ELG / Rem Life	NET SURVIVOR CURVE	ELG / Rem Life	NET SURVIVOR CURVE	ELG / Rem Life	NET SURVIVOR CURVE	ELG / Rem Life	NET SURVIVOR CURVE	ELG / Rem Life	NET SURVIVOR CURVE	ELG / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE
	CLIENT: STUDY DATE: PROCEDURE:														
	301.0 FRANCHISES AND CONSENTS														
	302.0 OTHER INTANGIBLE PLANT														
	303.0 MISC. INTANGIBLE PLANT - 15 YEAR														
	303.0 MISC. INTANGIBLE PLANT - 5 YEAR														
	303.0 MISC. INTANGIBLE PLANT														
	303.1 MISC. INTANGIBLE PLANT - SOFTWARE														
	303.2 MISC. INTANGIBLE PLANT - CUSTOMER INFO S														
	303.3 MISC. INTANGIBLE PLANT - IND. AND COMMER														
	303.4 MISC. INTANGIBLE PLANT - CRMS														
	303.5 MISC. INTANGIBLE PLANT - POWERPLANT SW														
	304.1 RIGHTS OF WAY														
	305.0 STRUCTURES AND IMPROVEMENTS														
	307.0 OTHER POWER EQUIPMENT														
	309.0 PROCESSING PLANTS														
	311.0 LIQUEFIED PETROLEUM GAS EQUIPMENT														
	311.1 LIQUEFIED PETROLEUM GAS EQUIPMENT - STORAGE CAVERNS														
	311.2 LIQUEFIED PETROLEUM GAS EQUIPMENT - ELEC EQUIPMENT														
	311.3 LIQUEFIED PETROLEUM GAS EQUIPMENT - PUMPS MOTORS AND COMPR														
	311.4 LIQUEFIED PETROLEUM GAS EQUIPMENT - INSTRUMENTS														
	311.5 LIQUEFIED PETROLEUM GAS EQUIPMENT - STATION PIPING														
	311.6 LIQUEFIED PETROLEUM GAS EQUIPMENT - TANKS														
	319.0 PRESSURE REGULATING EQUIPMENT														
	320.0 OTHER EQUIPMENT														
	325.1 PRODUCING LANDS														
	325.2 PRODUCING LEASEHOLDS														
	325.3 GAS RIGHTS														
	325.4 RIGHTS OF WAY														
	327.0 FIELD COMPRESSOR STATIONS STRUCTURES														
	328.0 FIELD M&R STATION STRUCTURES														
	329.0 OTHER STRUCTURES														
	330.0 PRODUCING GAS WELL CONSTRUCTIONS														
	331.0 PRODUCING GAS WELL EQUIPMENT														
	332.0 FIELD LINES														
	333.0 FIELD COMPRESSOR STATION EQUIPMENT														
	334.1 FIELD M&R STATION EQUIPMENT - OTHER														
	334.1 FIELD M&R STATION EQUIPMENT - PURCHASE GAS														
	334.1 FIELD MEASURING AND REGULATING STATION EQUIPMENT - METERS														
	335.0 DRILLING AND CLEANING EQUIPMENT														
	336.0 PURIFICATION EQUIPMENT														
	337.0 OTHER EQUIPMENT														
	337.1 OTHER EQUIPMENT - LABORATORY														
	337.2 OTHER EQUIPMENT - ODORIZATION														
	337.3 OTHER EQUIPMENT - FURNITURE AND FIXTURES PRODUCTION														
	337.4 OTHER EQUIPMENT - FURNITURE AND FIXTURES GATHERING														
	337.5 OTHER EQUIPMENT - TOOLS														
	337.6 OTHER EQUIPMENT - COMMUNICATION EQUIPMENT														
	340.1 LAND AND LAND RIGHTS - SURFACE LEASE														
	340.2 LAND AND LAND RIGHTS - RIGHTS OF WAY														
	341.0 STRUCTURES AND IMPROVEMENTS														
	342.0 EXTRACTION AND REFINING EQUIPMENT														
	343.0 PIPE LINES														
	344.0 EXTRACTED PRODUCT STORAGE EQUIPMENT														
	345.0 COMPRESSOR STATION EQUIPMENT														
	346.0 GAS MEASURING AND REGULATING EQUIPMENT														
	347.0 OTHER EQUIPMENT														
	350.2 LAND RIGHTS														
	350.2 LEASEHOLDS														
	350.2 RIGHTS OF WAY														
	351.0 STRUCTURES AND IMPROVEMENTS														

10 - SQ 0

50 - SQ  
50 - R2.5 (10) 40 - SQ 0

45 - R1 (5) 25 - R2 0

14 - L0.5









SERVICE LIFE A T SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	COLUMBIA GAS OF PENNSYLVANIA 2001		COLUMBIA GAS OF VIRGINIA 1997		ELIZABETHTOWN GAS COMPANY 2001		EQUITABLE GAS COMPANY 2002		LACLEDE GAS COMPANY 2003		LAWRENCEBURG GAS COMPANY 1990		NATIONAL FUEL GAS DISTRIBUTION - NY DIVISION 2006		
		ASILELG / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASILELG / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life
	CLIENT: STUDY DATE: PROCEDURE:															
	301.0 FRANCHISES AND CONSENTS															
	302.0 OTHER INTANGIBLE PLANT															
	303.0 MISC. INTANGIBLE PLANT - 15 YEAR															
	303.0 MISC. INTANGIBLE PLANT - 5 YEAR															
	303.0 MISC. INTANGIBLE PLANT															
	303.1 MISC. INTANGIBLE PLANT - SOFTWARE															
	303.2 MISC. INTANGIBLE PLANT - CUSTOMER INFO S															
	303.3 MISC. INTANGIBLE PLANT - IND. AND COMM															
	303.4 MISC. INTANGIBLE PLANT - CRMS															
	303.5 MISC. INTANGIBLE PLANT - POWERPLANT SW															
	304.1 RIGHTS OF WAY															
	305.0 STRUCTURES AND IMPROVEMENTS															
	307.0 OTHER POWER EQUIPMENT															
	309.0 PROCESSING PLANTS															
	311.0 LIQUEFIED PETROLEUM GAS EQUIPMENT															
	311.1 LIQUEFIED PETROLEUM GAS EQUIPMENT - STORAGE CAVERNS															
	311.2 LIQUEFIED PETROLEUM GAS EQUIPMENT - ELEC EQUIPMENT															
	311.3 LIQUEFIED PETROLEUM GAS EQUIPMENT - PUMPS MOTORS AND COMPR															
	311.4 LIQUEFIED PETROLEUM GAS EQUIPMENT - INSTRUMENTS															
	311.5 LIQUEFIED PETROLEUM GAS EQUIPMENT - STATION PIPING															
	311.6 LIQUEFIED PETROLEUM GAS EQUIPMENT - TANKS															
	319.0 PRESSURE REGULATING EQUIPMENT															
	320.0 OTHER EQUIPMENT															
	325.1 PRODUCING LANDS															
	325.2 PRODUCING LEASEHOLDS															
	325.3 GAS RIGHTS															
	325.4 RIGHTS OF WAY															
	327.0 FIELD COMPRESSOR STATIONS STRUCTURES															
	328.0 FIELD M&R STATION STRUCTURES															
	329.0 OTHER STRUCTURES															
	330.0 PRODUCING GAS WELL CONSTRUCTIONS															
	331.0 PRODUCING GAS WELL EQUIPMENT															
	332.0 FIELD LINES															
	333.0 FIELD COMPRESSOR STATION EQUIPMENT															
	334.1 FIELD M&R STATION EQUIPMENT - OTHER															
	334.1 FIELD M&R STATION EQUIPMENT - PURCHASE GAS															
	334.1 FIELD MEASURING AND REGULATING STATION EQUIPMENT - METERS															
	335.0 DRILLING AND CLEANING EQUIPMENT															
	336.0 PURIFICATION EQUIPMENT															
	337.0 OTHER EQUIPMENT															
	337.1 OTHER EQUIPMENT - LABORATORY															
	337.2 OTHER EQUIPMENT - ODORIZATOR															
	337.3 OTHER EQUIPMENT - FURNITURE AND FIXTURES PRODUCTION															
	337.4 OTHER EQUIPMENT - FURNITURE AND FIXTURES GATHERING															
	337.5 OTHER EQUIPMENT - TOOLS															
	337.6 OTHER EQUIPMENT - COMMUNICATION EQUIPMENT															
	340.1 LAND AND LAND RIGHTS - SURFACE LEASE															
	340.2 LAND AND LAND RIGHTS - RIGHTS OF WAY															
	341.0 STRUCTURES AND IMPROVEMENTS															
	342.0 EXTRACTION AND REFINING EQUIPMENT															
	343.0 PIPE LINES															
	344.0 EXTRACTED PRODUCT STORAGE EQUIPMENT															
	345.0 COMPRESSOR STATION EQUIPMENT															
	346.0 GAS MEASURING AND REGULATING EQUIPMENT															
	347.0 OTHER EQUIPMENT															
	350.2 LAND RIGHTS															
	350.2 LEASEHOLDS															
	350.2 RIGHTS OF WAY															
	351.0 STRUCTURES AND IMPROVEMENTS															

10 - SQ 0

5 - SQ

60 - R0.5 (15)  
30 - R3 (10)

33 - R1 (5)  
55 - S3 0

Depletable

55 - H3.7 0  
40 - SQ (5)  
45 - H3.2 (5)

Depletable  
Depletable

SQ\* 0 0

50 - SQ 0

50 - H2.75 (15)  
25 - H2.25 (5)  
30 - H1.5 (20)











SERVICE LIFE A T SALVAGE STATISTICS - GAS

ACCT	DESCRIPTION	NATIONAL FUEL GAS DISTRIBUTION - PA DIVISION 2004			NORTH PENN GAS COMPANY 2000			NORTH SHORE GAS COMPANY 2003			PENN FUEL GAS 2000			PEOPLES GAS LIGHT AND COKE COMPANY 2003			PUBLIC SERVICE COMPANY OF COLORADO 1999			RIVER GAS COMPANY 1989		
		CLIENT: STUDY DATE: PROCEDURE:	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE	ASLELG / Rem Life	NET SURVIVOR CURVE		
301.0	FRANCHISES AND CONSENTS																					
302.0	OTHER INTANGIBLE PLANT																					
303.0	MISC. INTANGIBLE PLANT - 15 YEAR																					
303.0	MISC. INTANGIBLE PLANT - 5 YEAR																					
303.0	MISC. INTANGIBLE PLANT																					
303.1	MISC. INTANGIBLE PLANT - SOFTWARE																					
303.2	MISC. INTANGIBLE PLANT - CUSTOMER INFO S																					
303.3	MISC. INTANGIBLE PLANT - IND. AND COMM																					
303.4	MISC. INTANGIBLE PLANT - CRMS																					
303.5	MISC. INTANGIBLE PLANT - POWERPLANT SW																					
304.1	RIGHTS OF WAY																					
305.0	STRUCTURES AND IMPROVEMENTS																					
307.0	OTHER POWER EQUIPMENT																					
309.0	PROCESSING PLANTS																					
311.0	LIQUEFIED PETROLEUM GAS EQUIPMENT																					
311.1	LIQUEFIED PETROLEUM GAS EQUIPMENT - STORAGE CAVERNS																					
311.2	LIQUEFIED PETROLEUM GAS EQUIPMENT - ELEC EQUIPMENT																					
311.3	LIQUEFIED PETROLEUM GAS EQUIPMENT - PUMPS MOTORS AND COMPR																					
311.4	LIQUEFIED PETROLEUM GAS EQUIPMENT - INSTRUMENTS																					
311.5	LIQUEFIED PETROLEUM GAS EQUIPMENT - STATION PIPING																					
311.6	LIQUEFIED PETROLEUM GAS EQUIPMENT - TANKS																					
319.0	PRESSURE REGULATING EQUIPMENT																					
320.0	OTHER EQUIPMENT																					
325.1	PRODUCING LANDS																					
325.2	PRODUCING LEASEHOLDS																					
325.3	GAS RIGHTS																					
325.4	RIGHTS OF WAY																					
327.0	FIELD COMPRESSOR STATIONS STRUCTURES																					
328.0	FIELD M&R STATION STRUCTURES																					
329.0	OTHER STRUCTURES																					
330.0	PRODUCING GAS WELL CONSTRUCTIONS																					
331.0	PRODUCING GAS WELL EQUIPMENT																					
332.0	FIELD LINES																					
333.0	FIELD COMPRESSOR STATION EQUIPMENT																					
334.1	FIELD M&R STATION EQUIPMENT - OTHER																					
334.1	FIELD M&R STATION EQUIPMENT - PURCHASE GAS																					
334.1	FIELD MEASURING AND REGULATING STATION EQUIPMENT - METERS																					
335.0	DRILLING AND CLEANING EQUIPMENT																					
336.0	PURIFICATION EQUIPMENT																					
337.0	OTHER EQUIPMENT																					
337.1	OTHER EQUIPMENT - LABORATORY																					
337.2	OTHER EQUIPMENT - ODORIZATION																					
337.3	OTHER EQUIPMENT - FURNITURE AND FIXTURES PRODUCTION																					
337.4	OTHER EQUIPMENT - FURNITURE AND FIXTURES GATHERING																					
337.5	OTHER EQUIPMENT - TOOLS																					
337.6	OTHER EQUIPMENT - COMMUNICATION EQUIPMENT																					
340.1	LAND AND LAND RIGHTS - SURFACE LEASE																					
340.2	LAND AND LAND RIGHTS - RIGHTS OF WAY																					
341.0	STRUCTURES AND IMPROVEMENTS																					
342.0	EXTRACTION AND REFINING EQUIPMENT																					
343.0	PIPE LINES																					
344.0	EXTRACTED PRODUCT STORAGE EQUIPMENT																					
345.0	COMPRESSOR STATION EQUIPMENT																					
346.0	GAS MEASURING AND REGULATING EQUIPMENT																					
347.0	OTHER EQUIPMENT																					
350.2	LAND RIGHTS																					
350.2	LEASEHOLDS																					
350.2	RIGHTS OF WAY																					
351.0	STRUCTURES AND IMPROVEMENTS																					

Not Studied

10 - SQ

50 - L2 Fully Accrued  
60 - R1 Fully Accrued  
30 - L2.5 Fully Accrued  
40 - SQ Fully Accrued  
45 - R1.5 Fully Accrued  
20 - O1 Fully Accrued  
27 - R2 Fully Accrued  
55 - R4 Fully Accrued

SQ\* 0  
35 - R1.5 SQ  
40 - R3\* SQ  
30 - R2.5 SQ  
35 - R3\* SQ

0  
(5)  
0  
0  
0

40 - R4  
25 - R1  
40 - SQ  
30 - R2.5  
22 - R1  
20 - SQ

28 - L0.5  
20 - L1.5  
22 - L2  
27 - L0.5  
50 - R1.5

40 - R3

34 - S1.5  
50 - R2

50 - L2  
60 - R1

60 - R4  
30 - L2.5  
40 - SQ  
45 - R1.5  
20 - O1  
27 - R2

42 - R2  
18 - O2  
45 - R1.5  
46 - S1.5

0  
(5)  
(5)  
0

0  
(20)  
0  
22 - R1

0  
(5)  
0  
(5)

75 - R4  
55 - R3  
40 - R2

0  
0  
0  
0

0  
(37) Leyden





















SERVICE LIFE AND RESIDUAL SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	CLIENT: PIPELINE COMPANY		VIRGINIA NATURAL GAS, INC.		MANITOBA HYDRO	
		STUDY DATE	2002	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE
301.0	FRANCHISES AND CONSENTS						
302.0	OTHER INTANGIBLE PLANT						
303.0	MISC. INTANGIBLE PLANT - 15 YEAR						
303.0	MISC. INTANGIBLE PLANT - 5 YEAR						
303.0	MISC. INTANGIBLE PLANT						
303.1	MISC. INTANGIBLE PLANT - SOFTWARE						
303.2	MISC. INTANGIBLE PLANT - CUSTOMER INFO S						
303.3	MISC. INTANGIBLE PLANT - IND. AND COMMER						
303.4	MISC. INTANGIBLE PLANT - CRMS						
303.5	MISC. INTANGIBLE PLANT - POWERPLANT SW						
304.1	RIGHTS OF WAY						
305.0	STRUCTURES AND IMPROVEMENTS				SQ	0	
307.0	OTHER POWER EQUIPMENT						
309.0	PROCESSING PLANTS						
311.0	LIQUEFIED PETROLEUM GAS EQUIPMENT						
311.1	LIQUEFIED PETROLEUM GAS EQUIPMENT - STORAGE CAVERNS						
311.2	LIQUEFIED PETROLEUM GAS EQUIPMENT - ELEC EQUIPMENT						
311.3	LIQUEFIED PETROLEUM GAS EQUIPMENT - PUMPS MOTORS AND COMPR						
311.4	LIQUEFIED PETROLEUM GAS EQUIPMENT - INSTRUMENTS						
311.5	LIQUEFIED PETROLEUM GAS EQUIPMENT - STATION PIPING						
311.6	LIQUEFIED PETROLEUM GAS EQUIPMENT - TANKS						
319.0	PRESSURE REGULATING EQUIPMENT						
320.0	OTHER EQUIPMENT						
325.1	PRODUCING LANDS						
325.2	PRODUCING LEASEHOLDS						
325.3	GAS RIGHTS						
325.4	RIGHTS OF WAY						
327.0	FIELD COMPRESSOR STATIONS STRUCTURES						
328.0	FIELD M&R STATION STRUCTURES						
329.0	OTHER STRUCTURES						
330.0	PRODUCING GAS WELL CONSTRUCTIONS						
331.0	PRODUCING GAS WELL EQUIPMENT						
332.0	FIELD LINES						
333.0	FIELD COMPRESSOR STATION EQUIPMENT						
334.1	FIELD M&R STATION EQUIPMENT - OTHER						
334.1	FIELD M&R STATION EQUIPMENT - PURCHASE GAS						
334.1	FIELD MEASURING AND REGULATING STATION EQUIPMENT - METERS						
335.0	DRILLING AND CLEANING EQUIPMENT						
336.0	PURIFICATION EQUIPMENT						
337.0	OTHER EQUIPMENT						
337.1	OTHER EQUIPMENT - LABORATORY						
337.2	OTHER EQUIPMENT - ODORIZATION						
337.3	OTHER EQUIPMENT - FURNITURE AND FIXTURES PRODUCTION						
337.4	OTHER EQUIPMENT - FURNITURE AND FIXTURES GATHERING						
337.5	OTHER EQUIPMENT - TOOLS						
337.6	OTHER EQUIPMENT - COMMUNICATION EQUIPMENT						
340.1	LAND AND LAND RIGHTS - SURFACE LEASE						
340.2	LAND AND LAND RIGHTS - RIGHTS OF WAY						
341.0	STRUCTURES AND IMPROVEMENTS						
342.0	EXTRACTION AND REFINING EQUIPMENT						
343.0	PIPE LINES						
344.0	EXTRACTED PRODUCT STORAGE EQUIPMENT						
345.0	COMPRESSOR STATION EQUIPMENT						
346.0	GAS MEASURING AND REGULATING EQUIPMENT						
347.0	OTHER EQUIPMENT						
350.2	LAND RIGHTS						
350.2	LEASEHOLDS						
350.2	RIGHTS OF WAY						
351.0	STRUCTURES AND IMPROVEMENTS						

75 R4 0

SERVICE LIFE AT SALVAGE STATISTICS - GAS

ACCT	DESCRIPTION	VIRGINIA GAS PIPELINE COMPANY 2002		VIRGINIA NATURAL GAS, INC. 2002		MANITOBA HYDRO 2005	
		STUDY DATE: PROCEDURE		STUDY DATE: PROCEDURE		STUDY DATE: PROCEDURE	
		SURVIVOR CURVE	NET SALV %	SURVIVOR CURVE	NET SALV %	SURVIVOR CURVE	NET SALV %
351.1	STRUCTURES AND IMPROVEMENTS - WELLS						
351.2	STRUCTURES AND IMPROVEMENTS - COMPRESSOR						
351.3	STRUCTURES AND IMPROVEMENTS - M & R STAT						
351.4	STRUCTURES AND IMPROVEMENTS - OTHER						
352.0	WELLS	45 - R2	(10)				
352.0	WELLS - WELL CONSTRUCTION						
352.0	WELLS - WELL EQUIPMENT						
352.1	LAND AND LAND RIGHTS - LEASEHOLD	45 - R2	(10)				
352.2	RESERVOIRS						
352.3	NONRECOVERABLE GAS						
352.5	STORAGE RIGHTS						
353.0	LINES						
354.0	COMPRESSOR STATION EQUIPMENT	45 - R3	(20)				
354.1	COMPRESSOR STATION EQUIPMENT - PUMPS, MOTORS AND COMPR	40 - S1.5	(10)				
354.2	COMPRESSOR STATION EQUIPMENT - GATHER LINES & STA PIPE						
355.0	M & R EQUIPMENT - METERS AND GAUGES						
355.0	M & R EQUIPMENT - OTHER						
355.0	MEASURING AND REGULATING EQUIPMENT						
356.0	PURIFICATION EQUIPMENT						
357.0	OTHER EQUIPMENT	25 - R2	0				
357.1	OTHER EQUIPMENT - TOOLS, SHOP AND GARAGE						
357.4	OTHER EQUIPMENT - ODORIZATION						
357.5	OTHER EQUIPMENT - FURNITURE AND FIXTURES						
360.2	LAND RIGHTS						
361.0	STRUCTURES AND IMPROVEMENTS						
362.0	GAS HOLDERS						
363.0	PURIFICATION EQUIPMENT						
363.1	LIQUIFICATION EQUIPMENT						
363.2	VAPORIZING EQUIPMENT						
363.3	COMPRESSOR EQUIPMENT						
363.4	MEASURING AND REGULATING EQUIPMENT						
363.5	CNG REFUELING FACILITIES						
363.5	OTHER EQUIPMENT						
363.6	LNG REFUELING FACILITIES						
364.0	TRANSPORTATION EQUIPMENT						
365.2	LAND RIGHTS						
366.0	STRUCTURE AND IMPROVEMENTS - COMPR STA	60 - R4	0	75 - R4	0		
366.0	STRUCTURE AND IMPROVEMENTS - M&R STA						
366.0	STRUCTURE AND IMPROVEMENTS - OTHER						
366.0	STRUCTURES AND IMPROVEMENTS						
366.1	STRUCTURES AND IMPROVEMENTS - COMPRESSOR STA						
366.2	STRUCTURES AND IMPROVEMENTS - M&R STA			65 - R0.5	0		
366.2	STRUCTURES AND IMPROVEMENTS - M&R STA CITY GATE						
366.3	STRUCTURES AND IMPROVEMENTS						
366.4	STRUCTURE AND IMPROVEMENTS - TAKE OFF STA						
366.6	STRUCTURE AND IMPROVEMENTS - REGULATING STA	55 - R2.5	(20)	70 - R3	(25)		
367.0	MAINS						
367.3	PIPE LINES - FITTINGS						
368.0	COMPRESSOR STATION EQUIPMENT						
369.0	M&R STATION EQUIPMENT - METERS AND GAUGES						
369.0	M&R STATION EQUIPMENT - OTHER						
369.0	MEASURING & REGULATING STATION EQUIPMENT	30 - R1.5	(10)	35 - R2.5	(5)		
369.4	TAKE OFF STATION EQUIPMENT/FARM TAP						
369.6	REGULATING STATION EQUIPMENT						
369.7	MAIN LINE INDUSTRIAL EQUIPMENT						
370.0	COMMUNICATION EQUIPMENT						
371.0	OTHER EQUIPMENT	25 - R1	(5)	15 - R3	0		
371.2	OTHER EQUIPMENT - ODORIZATION						
371.3	OTHER EQUIPMENT - FURNITURE AND FIXTURES						
371.4	OTHER EQUIPMENT - TOOLS						

SERVICE LIFE AT SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	VIRGINIA GAS PIPELINE COMPANY 2002		VIRGINIA NATURAL GAS, INC. 2002		MANITOBA HYDRO 2005		
		ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE	SALV %
	CLIENT: PIPELINE COMPANY							
	STUDY DATE:							
	PROCEDURE:							
371.5	OTHER EQUIPMENT - DEHYDRATION							
371.6	OTHER EQUIPMENT - CIAC							
371.7	OTHER EQUIPMENT - OIL TANK STORAGE							
374.0	LAND AND LAND RIGHTS - LAND RIGHTS			75 - R4	0	75 - R4	0	
375.0	STRUCTURES AND IMPROVEMENTS			30 - R2	0	40 - R1	(10)	
375.0	STRUCTURES AND IMPROVEMENTS - LEASEHOLD							
375.0	STRUCTURES AND IMPROVEMENTS - M&R STA							
375.0	STRUCTURES AND IMPROVEMENTS - OTHER							
375.0	STRUCTURES AND IMPROVEMENTS - INDUS MEAS							
375.0	STRUCTURES AND IMPROVEMENTS - MEAS & REG							
375.0	MAJOR STRUCTURES							
375.1	STRUCTURES AND IMPROVEMENTS - MAJOR							
375.1	STRUCTURES AND IMPROVEMENTS - BRICK, STONE AND CONCRETE							
375.1	STRUCTURES AND IMPROVEMENTS - METAL							
375.1	STRUCTURES AND IMPROVEMENTS - ELECTRICAL EQUIPMENT							
375.1	STRUCTURES AND IMPROVEMENTS - PUMP, MOTOR AND COMPRESSOR							
375.2	STRUCTURES AND IMPROVEMENTS - INSTRUMENTS							
375.2	STRUCTURES AND IMPROVEMENTS - YARD PAVING							
375.2	STRUCTURES AND IMPROVEMENTS - STATION PIPING							
375.5	STRUCTURES AND IMPROVEMENTS - COMMUNICATIONS							
375.6	STRUCTURES AND IMPROVEMENTS - DEPLETABLE							
375.7	STRUCTURES AND IMPROVEMENTS - CITY GATE							
375.9	STRUCTURES AND IMPROVEMENTS - GARAGE							
376.0	MAINS							
376.1	MAINS - CAST IRON							
376.1	MAINS - HP 4" AND LESS			65 - S1.5	(25)	65 - R3	(20)	
376.1	VALVES							
376.2	MAINS - PLASTIC							
376.2	MAINS - STEEL							
376.2	MAINS - LP 4" AND LESS							
376.4	MAINS - STEEL WRAP							
376.6	MAINS - VAULTS AND REGULATORS							
376.8	MAINS - TUNNELS							
376.9	MAINS - PUMPS, MOTORS, AND COMPRESSORS							
377.0	COMPRESSOR STATION EQUIPMENT							
378.0	MEASURING & REGULATING STATION EQUIPMENT - GENERAL							
378.0	MEASURING & REGULATING STATION EQUIPMENT - ODORIZATION							
378.1	MEASURING & REGULATING STATION EQUIPMENT - STATION PIPING							
378.2	MEASURING & REGULATING STATION EQUIPMENT - EXCL ELEC EQUIP							
378.3	MEASURING & REGULATING STATION EQUIPMENT - ELEC EQUIP							
378.4	MEASURING & REGULATING STATION EQUIPMENT - SCADA							
378.5	CONC							
378.6	MEASURING & REGULATING STATION EQUIPMENT - BLDGS METAL							
378.7	COMP							
378.8	MEASURING & REGULATING STATION EQUIPMENT - INSTRUMENTS							
378.9	MEASURING & REGULATING STATION EQUIPMENT - YARD PAVING							
379.0	MEAS. & REG EQUIPMENT CITY GATE							
380.0	SERVICES							
380.0	SERVICES - ALL PRESSURES							
380.0	SERVICES - REGULATED PRESSURE							
380.0	SPECIAL SERVICES							
380.1	SERVICES - STEEL AND COPPER							
380.2	SERVICES - PLASTIC							
381.0	METERS							
381.0	METERS - HEXAGRAM							
381.0	METERS - RECORDING GAUGES							
381.1	METERS - ELECTRIC							
381.1	METERS - TELEMETRY EQUIPMENT							
381.2	METERS - TRANSDUCERS							
				20 - R3	0	31 - R2	(20)	
				55 - R2	(70)	50 - R2.5	(50)	
				21 - S1.5	0	28 - R3	0	
						15 - R3	0	



SERVICE LIFE AT SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	VIRGINIA GAS PIPELINE COMPANY 2002		VIRGINIA NATURAL GAS, INC. 2002		MANITOBA HYDRO 2005	
		ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE
		SALV %		SALV %		SALV %	
381.5	METERS - DIAPHRAGM						
381.6	METERS - ROTARY DISPLACEMENT			35 - R4	0	40 - R4	0
382.0	METER AND REGULATOR INSTALLATION						
382.1	METER INSTALLATIONS - ELECTRIC					10 - SQ	0
382.1	METER INSTALLATIONS - ELECTRIC - AUTO METER READ DEVICES						
382.2	METER INSTALLATIONS - ELECTRIC - RECORDING AND MEASURING						
383.0	HOUSE REGULATORS						
384.0	HOUSE REGULATORS - INSTALL			34 - R1.5	(20)		
385.0	INDUSTRIAL M&R STA EQUIPMENT			40 - R3	0		
385.1	INDUSTRIAL M&R STA EQUIPMENT - TELEMETERING			38 - R1.5	(5)		
385.3	INDUSTRIAL M&R STA EQUIPMENT - METER INSTALLATIONS						
386.0	RES WATER HEATER						
386.0	OTHER PROPERTY AND CUSTOMERS' PREMISES						
386.1	COMMERCIAL WATER HEATERS						
386.2	RESIDENTIAL WATER HEATERS						
386.2	OTHER PROPERTY AND CUSTOMERS' PREMISES - GAS LIGHTS						
386.3	RESIDENTIAL CONV BURNERS						
386.3	OTHER PROPERTY AND CUSTOMERS' PREMISES - CNG REFUEL STA						
386.4	CIRCULATING HEATER						
386.4	OTHER PROPERTY AND CUSTOMERS' PREMISES - INSTRUMENTS						
386.5	COMMERCIAL CONV BURNER						
387.0	OTHER EQUIPMENT						
387.2	ODORIZATION						
387.2	OTHER EQUIPMENT - TELEPHONE						
387.3	OTHER EQUIPMENT - RADIO						
387.4	CUSTOMER INFORMATION SERVICES						
387.4	OTHER EQUIPMENT - TELEMETERING						
387.5	OTHER EQUIPMENT - CUSTOMER INFO SERVICES						
387.6	OTHER EQUIPMENT - NATURAL GAS FUELING STATIONS						
387.7	OTHER EQUIPMENT - STREET LIGHTING						
387.8	OTHER EQUIPMENT - GRAPHIC DATA BASE						
388.0	CONVERSION BURNERS - LEASED						
389.2	LAND AND LAND RIGHTS						
390.0	STRUCTURES AND IMPROVEMENTS					22 - R3	15
390.0	STRUCTURES AND IMPROVEMENTS - MAJOR						
390.0	STRUCTURES AND IMPROVEMENTS - MINOR						
390.1	LEASEHOLD IMPROVEMENTS					SQ	0
390.1	STRUCTURES AND IMPROVEMENTS - METAL						
390.1	STRUCTURES AND IMPROVEMENTS - ELEC EQUIPMENT						
390.1	STRUCTURES AND IMPROVEMENTS - YARD PAVING						
390.1	STRUCTURES AND IMPROVEMENTS - STATION PAVING						
390.2	STRUCTURES AND IMPROVEMENTS - DEPLETABLE						
390.3	STRUCTURES AND IMPROVEMENTS - CNG EQUIP						
390.3	STRUCTURES AND IMPROVEMENTS - COMMUNICATIONS						
390.4	STRUCTURES AND IMPROVEMENTS - MAJOR			65 - R0.5	0		
390.5	STRUCTURES AND IMPROVEMENTS - SMALL						
390.6	STRUCTURES AND IMPROVEMENTS - OTHER			30 - R2	0		
390.7	STRUCTURES AND IMPROVEMENTS - BUILDINGS						
390.8	STRUCTURES AND IMPROVEMENTS - PARTITIONS						
390.9	STRUCTURES AND IMPROVEMENTS - BRICK, STONE AND CONCRETE						
391.0	COMPUTER EQUIPMENT						
391.0	OFFICE FURNITURE & EQUIPMENT - FURNITURE			15 - SQ	0	5 - SQ	0
391.1	OFFICE FURNITURE & EQUIPMENT - EQUIPMENT			20 - SQ	0	15 - SQ	0
391.4	OFFICE FURNITURE AND EQUIPMENT - INFO SYSTEM						
391.4	OFFICE FURNITURE & EQUIPMENT - MAINFRAME HARDWARE						
391.5	OFFICE MACHINES						
391.6	REMOTE METER READING EQUIPMENT						
392.0	TRANSPORTATION EQUIPMENT						
392.0	TRANSPORTATION EQUIPMENT - CNG TANKS						
392.0	TRANSPORTATION EQUIPMENT - GENERAL			7 - L4	15	8 - R3	15
				11 - L2	10		

SERVICE LIFE AN SALVAGE STATISTICS - GAS

FERC ACCT	DESCRIPTION	VIRGINIA GAS PIPELINE COMPANY 2002		VIRGINIA NATURAL GAS, INC. 2002		MANITOBA HYDRO 2005		
		ASL / Rem Life	NET SURVIVOR CURVE	ASL / Rem Life	NET SURVIVOR CURVE	ASL / Whole Life	NET SURVIVOR CURVE	NET SALV %
	CLIENT: PIPELINE COMPANY							
	STUDY DATE: 2002							
	PROCEDURE:							
392.0	TRANSPORTATION EQUIPMENT - TRUCKS							
392.1	TRANSPORTATION EQUIPMENT - NGV KITS							
392.2	TRANSPORTATION EQUIPMENT - TRAILERS							
392.5	TRANSPORTATION EQUIPMENT - CNG CONVERSION KITS							
393.0	STORES EQUIPMENT							
394.0	TOOLS SHOP AND GARAGE EQUIPMENT		20 - SQ	0				
394.0	TOOLS SHOP AND GARAGE EQUIPMENT-NGV COMPR		25 - SQ	0		15 - SQ	0	
394.1	TOOLS SHOP AND GARAGE EQUIPMENT - CNG EQUIPMENT							
394.1	TOOLS SHOP AND GARAGE EQUIPMENT - CNG EQUIPMENT QUICK FILL							
394.1	COMPRESSOR							
394.1	TOOLS SHOP AND GARAGE EQUIPMENT - CNG EQUIPMENT OTHER							
394.2	TOOLS SHOP AND GARAGE EQUIPMENT - SHOP EQU							
394.2	TOOLS, SHOP & GARAGE EQUIPMENT - CNG EQU							
395.0	LABORATORY EQUIPMENT							
396.0	POWER OPERATED EQUIPMENT							
397.0	COMMUNICATION EQUIPMENT							
397.0	COMMUNICATION EQUIP - METER RD/ERT/TELECOM							
397.1	COMMUNICATION EQUIPMENT - MOBILE							
397.1	COMMUNICATION EQUIPMENT - STRUCTURES							
397.2	COMMUNICATION EQUIPMENT - NON MOBILE&TEL							
397.3	COMMUNICATION EQUIPMENT - BASE STATIONS							
397.3	COMMUNICATION EQUIPMENT - TELEMETER OTHER							
397.4	COMMUNICATION EQUIPMENT - TELEMTRY							
397.4	COMMUNICATION EQUIPMENT - TELEMETER MICR							
397.5	COMMUNICATION EQUIPMENT - TELEPHONE							
397.5	COMMUNICATION EQUIPMENT - SCADA AND TELEMETERING							
397.6	COMMUNICATION EQUIPMENT - MISCELLANEOUS							
397.7	COMMUNICATION EQUIPMENT - TEST EQUIPMENT							
397.8	COMMUNICATION EQUIPMENT - COMPUTERS							
398.0	MISCELLANEOUS EQUIPMENT							
398.1	MISCELLANEOUS EQUIPMENT - PRINT SHOP/KITCHEN							
398.5	MISCELLANEOUS EQUIPMENT - OTHER							
399.0	OTHER INTANGIBLE PROPERTY - COMP. SOFTWARE							
		15 - SQ	0	15 - SQ	0	10 - SQ	0	0
				25 - SQ	0	15 - L1.5	20	
				14 - L1.5	20	15 - L1.5	20	
				15 - SQ	0			
						10 - SQ	(5)	



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

**Question No. 4**

Refer to the response to the Staff's Second Request, Item 10. The response indicates that all the past replacement of bare steel ("BS") pipes was based on historical leakage. Will the proposed Accelerated Main Replacement Program ("AMRP") follow the same pattern in replacing the BS pipes or will selected areas be chosen for each contract? If selected areas would be chosen, when will Columbia be able to provide the information to the Commission with adequate maps and construction data?

**Response of Columbia Gas of Kentucky:**

Columbia will not follow the same pattern for replacing bare steel main as has been done in the past. Columbia intends to prioritize AMRP projects based on assessed risk whenever possible. However, there will be instances when this is not possible. Working with federal, state, and municipal transportation departments on road widening and maintenance projects is one example of this.

Columbia will continually evaluate and assess its natural gas systems. Projects will be prioritized based on the risk evaluations and assessments. The order in which projects are prioritized may change over time. The majority of large AMRP projects planned for any given year should be known at the beginning of that year. Columbia should be able to provide large project information to the commission for any given year by the end of the first quarter of that year.



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

**Question No. 5**

Refer to the response to the Staff's Second Request, Item 11. Since Columbia has been assuming ownership after replacing the customer's service line since November 10, 1988, what makes the replacement of customer's BS service lines appropriate to include in the AMRP program? Is Columbia requesting to revoke its request of ownership of service lines after replacing them?

**Response of Columbia Gas of Kentucky:**

Columbia **is not** requesting to revoke its request of ownership of Customer Service lines after replacing them.

Pursuant to the Commission's Order of November 10, 1988, Case No. 10127, as part of its normal operations, Columbia has assumed responsibility for operating and maintaining all customer service lines and will replace any service line that is found to leak. That process will continue as it is today and cost recovery for these customer service line replacements will be through the normal regulatory process and not through the AMRP Rider.

Columbia is proposing to replace any remaining bare steel customer-owned service lines (portion of the service line between the curb valve and the meter) with plastic at the time of a main replacement project covered by the AMRP. After replacing the service line, Columbia will own and maintain the new service line. Through experience with testing and re-connecting bare steel customer service lines during main replacement projects, Columbia has determined that the leakage rate on these service lines increases significantly once disturbed and reconnected to a new main.

Columbia believes it is appropriate to be proactive with replacement of these service lines and include the cost in the AMRP. This approach will result in the safest piping system possible, take advantage of a lower cost for customer service line replacement (as part of a larger project), avoid taking customers out of service a second time for replacement of a leaking service after a main line project has been completed, and avoid excavating in the public right of way and a customer's property after a main line project has been completed.

Columbia has adopted this philosophy through experience and has used it with all main replacement projects for several years. Columbia intends to continue this practice as it accelerates its main replacements and it is appropriate to include the cost in the AMRP Rider.



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

**Question No. 6**

Refer to the response to the Staff's Second Request, Item 14.

- a. Resubmit Attachment 1 without the shading of information.
- b. Columbia was requested to provide the workpapers, calculations, and assumptions used to determine the \$9.9 million annual investment in the AMRP. Attachment 1 is a one-page sheet summarizing cost and data on various mains and services. It does not readily present how the \$9.9 million annual investment was determined. Provide the originally requested information. In addition, clearly show how the \$9.9 million annual investment was determined. Provide the originally requested information. In addition, clearly show how the \$9.9 million annual investment was determined.

**Response of Columbia Gas of Kentucky:**

- a. Please refer to 2007-00008 PSC Set 2-014 – Attachment 1 (revised) submitted without shading. A CD containing the file is also included.
- b. There were no other work papers generated to determine the \$9.9 million annual investment other than the attachment provided. An explanation of the assumptions and calculations follows while referring to 2007-00008 PSC Set 2-014 – Attachment 1 (revised). The top section of the exhibit summarizes the different replacement schedules and their associated annual costs based on calculations of both main and service replacement costs.

**MAINS:**

- The estimated cost to install each replacement size is indicated. For instance, the cost to install a 2" main is estimated to be \$30 per foot, the cost to install a 3" or 4" main is estimated to be \$45 per foot, and so forth. These costs were arrived at using the typical replacement costs experienced with some increases to account for potential contractor resource constraints and material cost pressures.



- The inventory of each grouped size is indicated based on Columbia's 2005 DOT annual reporting of main mileage and a percentage is applied to estimate the total footage of bare steel miles for each size category. This percentage is 37.7%, which is derived from Columbia's percentage of bare steel compared to total steel inventory. For instance, of the 213 miles of 2" or smaller steel mains, 37.7% are estimated to be bare, which equates to 80 miles. Columbia's records do not directly categorize its bare steel by size.
- Cast iron mileage is taken directly from the 2005 DOT report.
- Mileage is converted to feet by multiplying each mile by 5,280.
- Unit replacement assumptions are restated and the aggregated unadjusted cost to install replacement mains is estimated to be \$62.07/ft.
- An unadjusted size for size replacement cost is calculated to be \$176.69 million
- Five (5) year actual retire to install ratio is 1.18. The assumption of 1.15 is being used. This effectively reduces the amount of mains that need to be installed. For instance, Columbia estimates its 20-year program will retire 27 miles of problem pipe each year, but will only need to install 23.7 miles of new pipe.
- A size reduction factor was applied which assumes Columbia can reduce 5% of its projects by one diameter group through system planning and engineering. For instance, 5% of the 3" and 4" projects are moved to the 2" project grouping, which increases the footage of 2" projects but decreases the footage of 3" and 4" projects, and so forth. This assumption further reduces the cost of the overall program costs since the smaller mains are less costly.
- Based on the two adjustments described, the adjusted aggregated unit replacement costs are calculated to be \$53.03/ft instead of \$62.07/ft and reduce the overall program costs by almost \$26 million.
- The total main cost is then spread evenly over the number of program years. For instance, the \$150.98 million spread over 20 years equals \$7.55 million per year.

#### SERVICES:

- Unit costs are estimated for the anticipated service related activity. For instance, reconnecting an existing plastic service to the new main is \$200, a full service replacement is \$1629, an adjacent service (service line replacements to facilitate more efficient main retirements) is \$1,400, and so forth.
- Quantities of service line types are detailed. For instance, according to Columbia's customer information system (DIS), there is 135,418 services of which 46,405 are connected to a bare steel or cast iron main. Columbia has 15,971 bare steel services and 15,903 inside meters.

Public Service Commission Data Request Set 3  
Question No. 6 (Cont'd)  
Columbia Gas of Kentucky Respondent: **Mike Webb**

- Columbia is assuming that 60% of the services attached to the bare steel mains will be reconnected and 40% will be replaced. Also, 75% of the inside meters will be relocated to the outside.
- Based on these assumptions, costs are calculated for each activity based on the assumed quantities.
- A total service line cost is calculated and divided equally by the program years. For instance, the total service line costs are estimated to be \$47.74 million. With a 20-year program, this cost is assumed to be spread evenly at \$2.39 million per year.

**The total cost of the 20-year program is estimated to be \$7.55M + \$2.39M or \$9.9 Million (rounded) per year.**

2007 - 00008 PSC Set 2-014 - Attachment 1 (revised)

Replacement Schedule (Years)	Miles New Pipe Installed per Year	Annual Problem Pipe Capital		Economies of Scale Cost Reduction Factors	2007 Capital Program Total	2005 Customers
		Mains	Services			
10	46.9	15,097,735	4,773,994	19,871,729	26,471,729	143,051
15	31.3	10,065,156	3,162,653	13,247,819	19,847,819	0%
20	23.4	7,548,857	2,366,997	9,935,864	16,535,864	0%
30	15.6	5,032,578	1,591,331	6,623,910	13,223,910	0%
40	11.7	3,774,434	1,193,499	4,967,932	11,567,932	0%
50	9.4	3,019,547	954,799	3,974,346	10,574,346	0%
60	7.8	2,516,289	795,666	3,311,955	9,911,955	0%
70	6.7	2,156,819	681,999	2,838,818	9,438,818	0%
80	5.9	1,867,217	596,749	2,463,966	9,063,966	0%
90	5.2	1,677,526	530,444	2,207,970	8,807,970	0%
100	4.7	1,509,773	477,399	1,987,173	8,587,173	0%

Total Program Cost =	\$	199,717,287	10% +/- Variation Range	\$218,589,016	\$178,845,559
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**MAINS**

2005 Adj. Unit Cost by Group	<=2"	>2"-4"	>4"-8"	>8"-12"	>12"	Total
Min Sft (optional)	30	44.82	40.66	127.16	127.16	
Sft used to develop program	30.00	45.00	85.00	127.16	127.16	
Steel (Miles)	213	642	356	138	20	1,369
Bare Steel (Miles)	80	242	134	52	8	515
CI (Miles)	0	20	4	0	0	24
Bare Steel & CI (Miles)	80	262	138	52	8	539
Bare Steel & CI (Feet)	423,229	1,381,247	728,468	274,204	39,740	2,846,306
Unit Replacement Cost	30.00	45.00	85.00	127.16	127.16	62.07
Replacement Cost	12,696,860	62,156,111	61,921,486	34,867,177	5,063,214	176,694,849
w/ size for size & same footage						
R/I 5 Yr Avg	1.18					
R/I to be used	1.15					
Adjusted Initial Footage	368,025	1,201,084	633,468	238,439	34,556	2,475,572
Size Reduction Factor	60.054	5%	5%	5%	5%	
Increase in size group		31,673	11,922	1,728	-1,728	
Decrease in size group		-60,054	-31,673	-11,922	-1,728	
Adjusted Unit Replacement Cost	30.00	45.00	85.00	127.16	127.16	53.03
Adjusted Replacement Cost	12,842,374	52,771,656	52,165,897	29,023,025	4,174,394	150,977,346
w/ smaller size & reduced footage						

**SERVICES**

Initial Estimate	Unit Cost	Per Service	Number	Cost	Number of Services
Svc Reconnects	200	60%	27,843	5,568,600	15,744
Svc Replacement	1,629	40%	18,552	30,237,498	1,903
Adjacent Svc Replacement	1,400	5%	4,451	6,230,910	227
Meter Move Outs	250	75%	5,688	1,422,000	27,550
Adjacent Meter Move Outs	250	75%	6,239	1,559,813	89,994
Reights	50		46,405	2,320,250	0
Adjacent Reights	50		8,017	400,871	0
Total				47,739,942	135,418
Services	135,418				
Services on BS/CI (DIS)	46,405				
Main (Feet)/Services	13,287,648				
% of Main BS or CI	94.7				
BS & CI Services	21.5%				
BS & CI Main (ft)/Service	15,971				
# of Inside Meters (DIS)	61.4				
# of Inside Meters on BS & CI (DIS)	15,903				
Total Plastic coated (protected & unprotected) services	7,584				
	119,447				

**Main (Miles)**

Bare Unpr	509	20.2%
Coated Unpr	0	0.0%
Bare Prot	7	0.3%
Coated Prot	854	33.9%
Plastic	1,121	44.5%
Cast Iron	25	1.0%
Other	2	0.1%
Total	2,517	100%



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

**Question No. 7**

Refer to the response to the Staff's Second Request, Item 15. Identify the sources of the data used to develop the information presented in the response to Item 14, Attachment 1. For all sources that were outside of Columbia, state whether the information was prepared specifically for Columbia's situation or if the information reflected the experience of other gas utilities.

**Response of Columbia Gas of Kentucky:**

The sources of the data used to develop Item 14, Attachment 1 are as follows:

Columbia's 2005 DOT Annual Report  
Columbia's Distributive Information System (DIS)  
Columbia's Budgetwiser System

All sources were from within Columbia.



**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
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**Question No. 8**

Refer to the response to the Staff's Second Request, Item 20(a). In this response is the statement "It was thought that the NiSource affiliates would have a similar approach to their bare steel and cast iron replacement program and we wanted to compare Columbia to its peers within its industry." Was this assumption verified? Explain the response.

**Response of Columbia Gas of Kentucky:**

Yes. Stone & Webster Consultants compared the Columbia Gas of Kentucky system to Columbia Gas of Pennsylvania's system. Based on the results of that review, Stone & Webster also recommended that Columbia Gas of Pennsylvania implement an accelerated main replacement program. Also, a number of Columbia Gas of Kentucky's peers that also serve geographical areas in relatively close proximity to the Columbia Gas of Kentucky territory are implementing accelerated main replacement programs and expect to replace their bare steel and cast iron under programs ranging from five to 30 years.





**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
PSC CASE NO. 2007-00008  
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**Question No. 9**

Refer to the response to the Staff's Second Request, Item 21. What does Mr. Humphries mean by "Review of the example companies indicate that 20 years is regarded as an appropriate schedule." Explain the basis of your study for the 20-year replacement and which portion of the work will have the priority of the 5 percent of the total replacement every year for 20 years. Example: Is it the function of the line, size, pressure, number of leaks per year, zoning, age, service territory, costs, etc?

**Response of Columbia Gas of Kentucky:**

Due to the corrosive forces on unprotected bare steel, the corrosion will continue until the mains turn completely to rust. Columbia, as well as its peers, monitors the leakage rate and replaces sections of the mains as needed. In recent years, due to the age of these systems, it has become necessary to accelerate this main replacement program. As noted, Columbia's peers have implemented accelerated main replacement programs that replace the mains within five to 30 years. After careful consideration, given the size and condition of the Columbia system, the replacement rates of other utilities, the degree of community involvement that Columbia incorporated into its AMRP process as discussed on page 22 of Mr. Webb's testimony, and the rate of main replacements that each crew can reasonably be expected to replace each day, which is discussed on page 23 of Mr. Webb's testimony, a rate of replacement over a 20-year period is a reasonable schedule.

With regard to which portion of the work will have the priority of the five percent of the total replacement every year for 20 years, please see the response to PSC Case No. 2007-00008 Set 3, Question 4.



**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
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**Question No. 10**

Refer to the response to the Staff's Second Request, Item 23. Does Stone and Webster intend to provide regression analysis? If yes, when?

**Response of Columbia Gas of Kentucky:**

A regression analysis cannot currently be produced because the data necessary to produce the analysis is not available in a workable electronic format. If new technology is adopted which would enable the regression analysis, Columbia may revisit the option of having a regression analysis performed for the bare steel and cast iron main and bare steel service lines.



**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY  
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**Question No. 11**

Refer to the response to the Staff's Second Request, Item 24. Does Columbia presently have a program of larger main replacement work? If yes, provide briefly the process of the work.

**Response of Columbia Gas of Kentucky:**

Please refer to the response of PSC Case No. 2007-00008 Set 2, Question 10a for a general overview of Columbia's replacement program prior to 2007. In 2007, Columbia has planned a few larger replacement projects. Columbia utilizes a blanket contract for the majority of all replacement work under approximately \$500,000. A single contractor performs all this type of work. The majority of replacement project work estimated at or above \$500,000 is typically put out for bid.



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

**Question No. 12**

Refer to the response to the Staff's Second Request, Item 27. Figure 2 shows total leaks due to corrosion from 1990 to 2006 were 6,532 with 5,982 leaks from BS pipes. Figure 5 shows that BS-miles in 1998 were 578 miles and in 2006 were 509 miles. Has Columbia replaced 69 miles of BS pipes during 1998-2006? Explain.

**Response of Columbia Gas of Kentucky:**

Figure 2 indicates 6,532 total leaks on bare steel pipelines for the period 1990 to 2006; however, causes other than corrosion account for 549 of those leaks. There were 5,982 corrosion leaks on bare steel pipelines for the period between 1990 and 2006.

At the time Stone and Webster completed their study, the 2006 data was not yet available. If one considers the 2006 data, Columbia has reduced its inventory of bare steel pipelines for the period 1998 to 2006 by 80 miles. Reductions in the quantities of bare steel pipe often occur when the bare steel is replaced with either plastic pipe or cathodically protected steel pipe. However, these reductions also result from abandonments without any new pipe being added.





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

**Question No. 13**

Refer to the response to the Staff's Second Request, Item 28. Since Columbia maintains maps according to the type of pipes, provide a file on CD-ROM of the maps of all the BS and cast iron mains in Columbia's system.

**Response of Columbia Gas of Kentucky:**

Columbia's maps are not segregated into bare steel maps and cast iron maps. Each individual map represents a geographic area. All of Columbia's pipelines, whether steel or plastic, bare or coated, are represented on each respective map.

Columbia's maps are only available electronically in a third-party proprietary format which may only be viewed after purchasing a license for software. Additionally, as stated in the response to Item 28, Columbia's maps must remain confidential because public access to facility maps would constitute a potential threat to the security of its infrastructure.

Nevertheless, Columbia is prepared to make its maps available under the terms of an acceptable confidentiality agreement to Commission staff for review during regular business hours at its main office at 2001 Mercer Road in Lexington.



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

**Question No. 14**

Refer to the response to the Staff's Second Request, Item 29(f). Provide the returned check charge that Columbia's bank assesses.

**Response of Columbia Gas of Kentucky:**

Columbia's bank does not assess a returned check charge per item. The costs that Columbia incurs when a bad check is passed are clerical related as described in the response to the Staff's Second Request, Item 29(f).



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

**Question No. 15**

Refer to the response to the Staff's Second Request, Item 34.

- a. Was the proposed Post In-Service Carrying Charges ("PISCC") the only alternative considered to address the "negative impact major construction projects have on net income in between rate cases"? Explain the response. If additional alternatives were considered, include a description and discussion of each alternative.
- b. Compare and contrast the regulatory climate for local distribution natural gas companies in Kentucky and Ohio. Include a discussion of the role of PISCC in both states.

**Response of Columbia Gas of Kentucky:**

- a. Columbia considered several alternatives to addressing the negative impact that major construction projects have on net income between rate cases and concluded that PISCC was the best alternative. First, Columbia considered having more frequent – possibly annual – rate cases. The "frequent rate case" strategy was rejected because rate cases are costly both from financial and administrative perspectives, thereby creating more costs for customers. Second, Columbia considered modifying its tariffs to require developers to pay additional, greater costs upfront. Columbia rejected this alternative because the higher purchase and installation costs associated with natural gas heating and hot water appliances versus electric appliance equivalents already discourage builders from choosing gas. Adding additional costs to the developer/builder would make it less likely that they would choose gas, thereby making it more difficult for Columbia to grow its system, make natural gas service available to more customers, and increase its customer base so that it can spread fixed costs over a broader group of customers. Third, because major construction projects are not only for extension of facilities but also for repair, replacement, governmental relocation or system improvement, Columbia also evaluated the AMRP Rider as a means of addressing the impact of major construction projects. In order to maintain focus on the replacement of bare steel and cast iron pipe, Columbia chose to limit the AMRP rider to those issues and propose PISCC for major new business projects.

Columbia elected to pursue the PISCC alternative in order to mitigate the negative impact on net income associated with extending Columbia's facilities to serve new developments and therefore encourage natural gas usage. An ancillary benefit associated with the increased utilization of natural gas heating and hot water appliances is the reduced peak demand on Kentucky's coal-fired power generation assets, which reduces the need for new and/or imported peak power generation.

- b. It is difficult to make such a comparison on behalf of Columbia, but the respondent's personal observations of the relative similarities and differences between the regulatory environments of Kentucky and Ohio are as follows: Both the Kentucky PSC and the Public Utilities Commission of Ohio ("PUCO") have previously approved some form of Accelerated Main Replacement Program. Bare steel and cast iron pipe are issues in both states and both Commissions recognize the need to provide timely recovery of costs associated with replacing utility infrastructure on an accelerated basis. Also, both Commissions have historically recognized the regulatory concept that growth of a utility's distribution system will enable the utility's fixed costs to be spread across a larger customer base, thereby maintaining a downward pressure on rates.

From a general perspective, the PUCO participates in, encourages and is supportive of the settlement process. As a result parties sometimes suggest, and the PUCO sometimes approves, innovative or novel approaches to issues. The Kentucky PSC Staff does not participate in settlement discussions as its counterpart does in Ohio, but the Commission has been open to innovative ideas and sometimes receptive on a pilot basis.

A significant difference exists in the business climates between Kentucky and Ohio. Competition between Kentucky's gas and electric utilities is more aggressive than in Ohio, because Kentucky's more-temperate climate means that heat pumps are more cost effective in Kentucky and it is therefore more difficult for Columbia to compete in Kentucky than in Ohio. It seems that in Ohio the builder and developer are generally one in the same and it seems that natural gas is the heating fuel of choice. In Kentucky, the developer is often not the builder and the decision about heating fuel is made by the builder. Finally, another difference is that the PUCO has approved a broader form of PISCC to provide Columbia's affiliate, Columbia Gas of Ohio, Inc., with an opportunity to defer the costs associated with major capital projects in between rate cases.



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

**Question No. 16**

Refer to the response to the Staff's Second Request, Item 35.

- a. Provide the actual wage rate increase percentages effective on March 2007.
- b. Provide a revised Schedule D-2.2 that reflects the actual wage increase percentages granted in March 2007. Include all workpapers, calculations, and assumptions utilized to determine the adjustment.
- c. Provide the job scope levels, corporate goals, business goals, and a sample of individual goals in effect for Columbia's Corporate Incentive Plan for calendar years 2005, 2006 and 2007.

**Response of Columbia Gas of Kentucky:**

- a. The actual wage rate increase percentages effective on March 2007 are 3.0% for exempt and 2.5% for clerical.
- b. A revised Schedule D-2.2 has been provided as "PSC Set 3-016": Updated Schedule D-2.2. Updated workpapers have also been provided as "PSC Set 3-016": Updated WPD-2.2 Sheet 1 of 2 and 2 of 2.

Schedule D-2.2 has been updated to include updates for both the actual March 2007 percentage increase and for increase changes due to the ratification of a union contract. The new union contract has provided for a 10 cent per hour structural wage increase for union employees not originally included in Schedule D-2.2. The two updates are shown separately on each schedule.

Columbia proposed an adjustment of \$70,225 to annualize test year labor in its original filing which included estimations for both the March 2007 percentage increase and union contract increases.

This adjustment is \$56,996 when updated for a 3.0% and 2.5% March 2007 percentage increase and is \$70,456 when updated for all actual payroll increase adjustments including union related items.



c. Job Scope Levels:

The following job scope levels apply to Columbia Gas of Kentucky employees in the Corporate Incentive Plan:

Nonexempt - job scope level 4 - provides for a 2% payout at trigger

Exempt based on position:

Job scope level G - Provides for a 4% payout at trigger

Job scope level F - Provides for a 5% payout at trigger

Job scope level E2 - Provides for a 7.5% payout at trigger

Job scope level E1 - Provides for a 10% payout at trigger

Job scope level B2 - Provides for a 20% payout at trigger

Corporate Goals:

**2007** - The key financial number for 2007 NiSource Corporate Incentive Plan participants is net operating earnings per share (non-GAAP) of \$1.35, after accounting for the cost of the incentive pool and assuming normal weather as reflected in the Company's 2007 financial plan.

**2006** - The key financial number for 2006 NiSource Corporate Incentive Plan participants is reported net operating earnings per share (non-GAAP) of \$1.50 (after accounting for the cost of the pool of dollars to be paid out to employees).

**2005 - Basic** earnings per share from continuing operations ("EPS") of \$1.50 after accounting for the cost of the incentive pool.

Samples of business and individual goals found in Performance management worksheets follow:

**2007**

**Objective Name**

Outstanding Customer Responsiveness

**Performance Measure**

Emergency response rates and appointments  
Met rates greater than or equal to the 2007  
target

Materially Improved Employee Engagement

Achieve material improvement on key employee  
Engagement indicators as measured by 2007  
Employee survey

Succession Plans in Place for Key NI  
Distribution Operations Leaders' Positions

NI Distribution Operations leadership talent  
review and succession plans will be in place  
through the first level of supervision by 1Q 2007

**Objective Name**

Materially Improve NI Distribution  
Operations Employee Safety

**Performance Measure**

NI's Distribution Operations employee safety  
indicators will improve by 10% in 2007 as  
Compared to the baseline

Complete and Full Regulatory Compliances

Operating, environmental, health, safety and  
Employee regulatory compliance requirements  
will be fully met (measured by approved  
Operating plans)

**2006**

<b><u>Objective Name</u></b>	<b><u>Performance Measure</u></b>
Support business units as appropriate to Facilitate regulatory compliance across Ohio/Kentucky	Operating, environmental, health, safety and employee regulatory compliance requirements will be fully met
Non-productive Time Management	Improve start times, on-site times and end-of Day times via FLLs and First Steps
Positive Contacts	Exceed 2006 positive contact goals
Quality Customer Services	Field operations customer service ratings Greater than or equal to 95%
Good System Reliability	Pipeline Operations, Distribution Operations and Generation Transmission Operations meet or exceed their system reliability targets
Materially Increase Employee Engagement across NI	By year-end 2006 NI's company-wide employee survey will reflect a 20% improvement in employee engagement indicators
Materially improve NI Employee Safety	NI's employee safety indicators will improve by 5% by year-end 2006 from the 2005 baseline and improve by 10-15% for 2007 from the 2006 baseline
Complete NI Leadership Development Plans	All NI leaders will have a PMW and DFW and have appropriate performance/development reviews
Complete and Full Sarbanes-Oxley, Disclosure and Corporate Governance Compliance across NI	Corporate governance requirements will be fully met including Sarbanes-Oxley compliance and SEC and other required reporting and Disclosure compliances

2005

Objective Name

Performance Measure

Safety

Build a safety conscious culture and demonstrate the results:

- *Use the KY & I Safety Team to communicate the importance of safety in the work place. Document the activities and actions of the team through the year.*
- *Document the results of the Safety Team efforts seen through the eyes of the FOLs.*

Continually emphasize the importance of safety

- *Attend all Safety Team meetings during the year.*
- *Begin every employee meeting with a KY Ops. Center safety topic.*
- *Begin every leadership meeting with the lost time spreadsheet update. Use the spreadsheet to stimulate a discussion on Ops. Center safety and document what the FOLs are seeing in the field.*

Engaged and Motivated Workforce

Identify interest in leadership advancement in the Operating Center and provide opportunities to gain experience for advancement.

**COLUMBIA GAS OF KENTUCKY, INC.**  
**CASE NO. 2007-00008**  
**UTILITY JURISDICTIONAL ADJUSTMENT**  
**ANNUALIZATION OF INCREASE IN WAGES**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2006**

Data:  Historic Period \_\_\_\_\_ Forecasted Period  
 Type of Filing:  Original \_\_\_\_\_ Updated  
 Workpaper Reference No(s): WPD-2.2

SCHEDULE D-2.2  
 SHEET 1 OF 1  
 WITNESS: K. L. HUMRICHOUSE

<b>LINE NO.</b>	<b>PURPOSE AND DESCRIPTION</b>	<b>AMOUNT</b>
-----------------	--------------------------------	---------------

**PURPOSE AND DESCRIPTION:** To reflect the annualization of wage increases granted during the test year and known and measurable increases subsequent to the test year.

1	A/ Labor Adjustment	WPD-2.2, Sheet 1, Line 9 \$56,996
2	Jurisdictional Allocation Percentage	100.00%
3	Jurisdictional Amount	To Schedule D Summary \$56,996
A/	Updated for March 2007 actual percentage increase (3.0%)	

1	B/ Labor Adjustment	WPD-2.2, Sheet 1, Line 9 \$70,456
2	Jurisdictional Allocation Percentage	100.00%
3	Jurisdictional Amount	To Schedule D Summary \$70,456
B/	Updated for March 2007 actual percentage increase (3.0%) and actual Union Structural Wage Increase as known and measurable as a result of the contract ratification	

COLUMBIA GAS OF KENTUCKY, INC.  
CASE NO. 2007-00008  
ADJUSTMENT TO PAYROLL  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Updated WPD-2.2  
SHEET 1 OF 2  
REFERENCE: D-2.2

LINE NO.	DESCRIPTION	REFERENCE	DIRECT (1)
<b>Updated for March 2007 Percentage Increase</b>			
1	ANNUALIZED NORMAL PAY	WPD-2.2, SHEET 2, LINE 2	7,205,440
2	PAY INCREASES FOR 2007	WPD-2.2, SHEET 2, LINES 4 AND 8	324,847
3	ANNUALIZED PAYROLL		7,530,287
4	NORMAL PAY PER BOOKS	WPD-2.2, SHEET 3, COLUMN 2, LINE 15	7,487,291
5	ADJUSTMENT		42,996
6	PAY INCREASE FOR 2007 - OVERTIME & PREMIUM	WPD-2.2, SHEET 2, LINE 11	35,936
7	SUBTOTAL		78,932
8	O&M EXPENSE PERCENTAGE	WPD-2.2, SHEET 4, LINE 12	0.7221
9	O&M PAYROLL ADJUSTED EXPENSE		56.996

LINE NO.	DESCRIPTION	REFERENCE	DIRECT (1)
<b>Updated for March 2007 Percentage Increase and Ratified Union Contract Structural Wage Increase</b>			
1	ANNUALIZED NORMAL PAY	WPD-2.2, SHEET 2, LINE 2	7,205,440
2	PAY INCREASES FOR 2007	WPD-2.2, SHEET 2, LINES 4, 5 AND 8	343,486
3	ANNUALIZED PAYROLL		7,548,926
4	NORMAL PAY PER BOOKS	WPD-2.2, SHEET 3, COLUMN 2, LINE 15	7,487,291
5	ADJUSTMENT		61,635
6	PAY INCREASE FOR 2007 - OVERTIME & PREMIUM	WPD-2.2, SHEET 2, LINE 11	35,936
7	SUBTOTAL		97,571
8	O&M EXPENSE PERCENTAGE	WPD-2.2, SHEET 4, LINE 12	0.7221
9	O&M PAYROLL ADJUSTED EXPENSE		70.456

COLUMBIA GAS OF KENTUCKY, INC.  
CASE NO. 2007-00008  
CALCULATION OF WAGE INCREASE  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2006

Updated WPD-2.2  
SHEET 2 OF 2  
REFERENCE: D-2.2

LINE NO.	DESCRIPTION	REFERENCE	Union Structural					TOTAL (6=1+2+3+4+5) \$
			UNION (1)	CLERICAL (2)	EXEMPT (3)	Wage Increase (4)	OVERTIME & PREMIUM (5)	
1	DISTRIBUTION LABOR							
2	TOTAL COMPANY ANNUALIZED LABOR	WPD-2.2, SHEET 5, LINE 19	4,384,362	842,717	1,978,360			7,205,440
3	PERCENT INCREASE FOR 2007 [1]		<u>2.50%</u>	<u>2.50%</u>	<u>3.00%</u>			
4	AMOUNT OF INCREASE		109,609	21,068	59,351			190,028
5	UNION STRUCTURAL INCREASE	87 employees X 2080 X 10 cents = 18,096				18,096		18,096
6	TOTAL UNION LABOR AT 12/01/06		4,493,971					
7	PERCENT INCREASE FOR 2007 [2]		<u>3.00%</u>			<u>3.00%</u>		
8	AMOUNT OF UNION INCREASE FOR 2007		134,819			543		135,362
9	OVERTIME & PREMIUM [4]	WPD-2.2, SHEET 3, COLUMNS 3 AND 4, LINE 13					1,026,733	
10	PERCENT INCREASE FOR 2007						<u>3.50%</u>	
11	AMOUNT OF INCREASE - OVERTIME & PREMIUMS						35,936	35,936

[1] THE UNION INCREASE IS EFFECTIVE 12/01/06. CLERICAL AND EXEMPT INCREASES BECOME EFFECTIVE 3/01/07.

[2] THE UNION INCREASE IS EFFECTIVE 12/01/07.





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

**Question No. 17**

Refer to the response to the Staff's Second Request, Item 36.

- a. Has the closing of Columbia's Lexington customer contact center been recognized as an adjustment in the test year?
  - 1) If yes, indicate where in the proposed adjustments this closing has been reflected.
  - 2) If no, provide an itemized list of all the test-year costs associated with the Lexington customer contact center. Explain in detail why an adjustment to reflect this cost reduction was not proposed.
- b. On Schedule D-2.8 Columbia has proposed to amortize the IBM-related one-time restructured contract costs over a period of 3 years. The response to Item 36 indicates that the initial term of the IBM contract is 10 years. Explain in detail why a 3-year amortization is more appropriate than a 10-year amortization of the IBM-related one-time costs.

**Response of Columbia Gas of Kentucky:**

- a. 1) Yes. Although the Lexington customer contact center closed March 31, 2006 there were remaining labor and benefit costs included in test year expenses. Columbia has essentially eliminated these test year expenses by annualizing labor (see Schedule D-2.2) and benefits (see Schedule D-2.4) at the employee levels in effect at September 30, 2006. The employee levels as of September 30, 2006 did not include customer contact center employees.
- 2) N/A
- b. As discussed in Columbia's response to PSC Set 2-066, the amortization period of 3 years was developed using a method consistent with previous amortization periods authorized and supported by this Commission.

In the Order related to Columbia's 1988 rate filing, Case No. 10201, the Commission allowed for and supported an amortization period consistent with the time between rate cases. This can be found on page 26 of this Order.

Public Service Commission Data Request Set 3  
Question No. 17 (Cont'd)  
Columbia Gas of Kentucky Respondent: **Kelly Humrichouse**

*"In consideration that the frequency between Columbia rate cases has been 2 years, the Commission is of the opinion that the unrecovered management audit costs of \$135,907 should be amortized of 2 years, resulting in a provision of \$67,954."*

Columbia performed several analyses which showed that Columbia's average months between rate cases over the last 30 years (since 1975) is 35.16 months.

Additional support for the amortization can be found in the Commission's decision in Case No. 2003-0043. In that case the Commission approved a three year amortization period for one-time costs associated with a staff reduction of 27 Information Technology employees at LG&E.



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

**Question No. 18**

Refer to the response to the Staff's Second Request, Item 53(b).

- a. Did Columbia propose any revisions to its existing Weather Normalization Adjustment ("WNA") tariff to reflect the calculations discussed in the response to Item 53(b)? Explain the response.
- b. Provide a revised WNA tariff that reflects the utilization of 20-year weather normals rather than 30-year normals.

**Response of Columbia Gas of Kentucky:**

- a. The calculations discussed in response to Item 53(b) would utilize Columbia's proposed 20-year weather data rather than 30-year weather data to determine normal Heating Degree Days. The Weather Normalization Adjustment for customers would be calculated using the existing formula set forth on Sheet 51a of Columbia's tariff. The existing tariff does not specify the weather data used to determine "Normal Degree Days" in the formula so Columbia determined that it was not necessary to revise its WNA tariff.
- b. As stated in part (a) above, a revised tariff is not necessary. However, if Columbia were to revise its tariff to reflect the utilization of 20-year weather normals, the tariff would appear as shown in 2007-00008 PSC Set 3-18 Attachment 1.

Second-Third Revised Sheet No. 51a  
 Superseding  
 First-Second Sheet No. 51a  
 P.S.C. Ky. No. 5

**COLUMBIA GAS OF KENTUCKY, INC.**

**WEATHER NORMALIZATION ADJUSTMENT CLAUSE  
 APPLICABLE TO GS, SVGTS AND GPS RATE SCHEDULES**

**WEATHER NORMALIZATION ADJUSTMENT (WNA)**

The sales to Residential and Commercial Customers under Rate Schedules GS, SVGTS and GPS shall be increased or decreased monthly by an amount hereinafter described as the Weather Normalization Adjustment (WNA).

**Determination of WNA**

Weather normalized volumes shall be utilized during the December through April billing months to calculate the non-gas portion of the bills of all heating Customers served under Rate Schedules GS, SVGTS and GPS. During the remainder of the year May through November, the monthly bills shall be computed based on actual consumption.

Weather Normalization Adjustment will be calculated using the following formula:

$$\text{WNA} = [(\text{Actual Mcf} - \text{Base Load Mcf}) * (\text{Normal Degree Days} / \text{Actual Degree Days})]$$

Each customer's base load will be determined individually, and will be recomputed annually. Rates used in the computation of the WNA shall be determined based on the applicable base rate charge as set forth on Sheet No. 5 of this tariff. Normal Degree Days shall be determined using 20-year average weather data.

**DATE OF ISSUE:** ~~June 19, 2000~~ May 22, 2007  
**Issued by:** ~~Joseph W. Kelly~~ Herbert A Miller

**DATE EFFECTIVE:** ~~July 19, 2000~~  
 Vice-President and Chief Operating Officer

Issued by authority of an Order of the Public Service Commission in Case No. 99-165 dated May 19, 2000



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

**Question No. 19**

Refer to the response to the Staff's Second Request, Item 54(a). The response notes that the Heating Degree Days ("HDD") data for the Lexington weather station were examined. Is the recommendation to use a 20-year average of HDD data based on weather observations from Lexington only?

- a. If yes, explain in detail why only HDD data from Lexington was utilized.
- b. If no, identify the other weather stations included in the HDD data collection.

**Response of Columbia Gas of Kentucky:**

- a. The recommendation to use a 20-year average of HDD is based on an analysis of data from the weather stations at Lexington, KY and Huntington, WV. These stations are weighted together to represent the weather for Columbia Gas of Kentucky's service territory. They are weighted by residential heating customers, 83% for Lexington and 17% for Huntington.

The response to Staff's Second Request, Item 54(a) was based on the Lexington station because it simplified the analysis while representing 83% of the weather data. Furthermore, there is no reason to expect that the Huntington weather station experienced weather significantly more extreme than Lexington.

- b. See a.





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

**Question No. 20**

Refer to the Direct Testimony of William M. Gresham, page 8, and the response to the Staff's Second Request, Item 55. Indicate whether Columbia agrees with the following statements related to Tables 1 and 2 reflecting the 15-year, 20-year, and 25-year averages. If Columbia disagrees, explain why it disagrees.

- a. Refer to Table 1. For both the 1980-2005 and 1990-2005 periods, the "Better 1-year Predictor" in terms of the highest frequency of "Lowest Absolute Error" comes from the 20-year averages.
- b. For the 1980-2005 period, the "Better 5-year Predictor" in terms of the highest frequency of "Lowest Absolute Error" comes from the 15-year and 20-year averages.
- c. For the 1990-2005 period, the "Better 5-year Predictor" in terms of the highest frequency of "Lowest Absolute Error" comes from the 15-year and 25-year averages.
- d. Refer to Table 2. For annual changes in averages for the period 1980-2005, the lowest percentage comes from the 20-year and 25-year averages.
- e. For annual changes in average for the period 1980-2005, the lowest percentage maximum change comes from the 25-year averages.
- f. If stability is a criterion in determining the appropriate period of HDD data to utilize, would Columbia agree that the 25-year average is as good as the 20-year average proposed by Columbia? Explain the response.

**Response of Columbia Gas of Kentucky:**

- a. The tables compare the alternative averages to the 30-year average. As a "Better 1-year Predictor" for the 1980-2005 and 1990-2005 periods, the 20-year average compares more favorably to the 30-year average than do the others.

Public Service Commission Data Request Set 3  
Question No. 20 (Cont'd)  
Columbia Gas of Kentucky Respondent: **William Gresham**

- b. The tables compare the alternative averages to the 30-year average. As a "Better 5-year Predictor" for the 1980-2005 period, the 15-year average and 20-year average compare more favorably to the 30-year average than does the 25-year average.
- c. The tables compare the alternative averages to the 30-year average. As a "Better 5-year Predictor" for the 1990-2005 period, the 15-year average and 25-year average compare more favorably to the 30-year average than does the 20-year average.
- d. Yes, if the 30-year average is excluded.
- e. Yes, if the 30-year average is excluded.
- f. I do not agree with this statement. While stability is indeed a criterion for selecting an average, it is not the sole criterion. Stability is necessary, but is not the sole condition upon which the selection should be made. Once reasonable stability is established, the more important criterion of performance is the determining factor. Consideration of performance shows the 20-year average superior to the 25-year average as implied in statements a and b. A direct comparison of these averages shows an even more compelling case for the 20-year average. The accompanying Table 1 shows that the 20-year average has better performance in over 80% of the 1-year-ahead predictions and over 70% better performance for the 5-year periods.

Public Service Commission Data Request Set 3  
 Question No. 20 (Cont'd)  
 Columbia Gas of Kentucky Respondent: **William Gresham**

	Annual Heating Degree Days			Absolute Error		Better 1-year predictor		Better 5-year predictor	
	Actual	20-yr Average	25-yr Average	20-yr Average	25-yr Average	20-yr Average	25-yr Average	20-yr Average	25-yr Average
1980	4587	4368	4371	216	235	1			
1981	4484	4373	4386	116	113		1		
1982	4149	4354	4387	224	237	1			
1983	4074	4334	4360	280	313	1			
1984	4514	4343	4369	180	154		1	1	
1985	4020	4330	4344	323	349	1		1	
1986	4065	4303	4331	265	279	1		1	
1987	4016	4295	4311	287	315	1		1	
1988	4500	4295	4312	205	189		1	1	
1989	4245	4282	4308	50	67	1		1	
1990	3630	4238	4282	652	678	1		1	
1991	3677	4212	4245	561	605	1		1	
1992	3915	4198	4235	297	330	1		1	
1993	4173	4220	4222	25	62	1		1	
1994	4162	4231	4208	58	60	1		1	
1995	4245	4247	4197	14	37	1		1	
1996	4658	4254	4216	411	461	1			1
1997	4316	4249	4220	62	100	1			1
1998	3495	4175	4211	754	725		1	1	
1999	3748	4134	4203	427	463	1			1
2000	4054	4107	4208	80	149	1			1
2001	4085	4087	4191	22	123	1			1
2002	4112	4085	4179	25	79	1			1
2003	4187	4091	4148	102	8		1	1	
2004	3902	4060	4121	189	246	1		1	
2005	4064	4062	4100	4	57	1		1	
				Mean Absolute Error		Frequency of Lowest Absolute Error		Frequency of Lowest Error	
			1980-2005	224	247	21	5	16	6
			1990-2005	230	261	14	2	10	6
						Relative Frequency of Lowest Absolute Error		Relative Frequency of Lowest Error	
						81%	19%	73%	27%
						88%	13%	63%	38%



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

**Question No. 21**

Refer to the response to the Staff's Second Request, Item 58.

- a. What is the funding status of Columbia's defined benefit post-retirement plan as of test-year end?
- b. Provide copies of the referenced guidance issued by the Federal Energy Regulatory Commission.

**Response of Columbia Gas of Kentucky:**

- a. As of September 30, 2006, Columbia's allocated funding status in its pension and other post employment benefits ("OPEB") plans is as follows:

Pension: \$ 716,216 Under funded

OPEB: \$6,314,624 Under funded (medical plan)  
\$ 667,820 Over funded (life plan)

There is an under funded and over funded balance in OPEB because Statement of Financial Accounting Standard ("SFAS") No. 158, "Employers' Accounting for Defined Pension and Other Postretirement Plans" requires companies with multiple plans to calculate their net assets or liabilities on a plan-by-plan basis. As a result, a company cannot offset one plan's net benefit assets against another plan's net benefit liabilities.

- b. Attached is a copy of the referenced guidance issued by the Federal Energy Regulatory Commission.

FEDERAL ENERGY REGULATORY COMMISSION  
Office of Enforcement  
Washington, D.C. 20426

In Reply Refer To:  
OE  
Docket No. AI07-1-000  
March 29, 2007

TO ALL JURISDICTIONAL PUBLIC UTILITIES AND LICENSEES, NATURAL  
GAS COMPANIES, OIL PIPELINE COMPANIES AND CENTRALIZED SERVICE  
COMPANIES

Subject: Commission Accounting and Reporting Guidance to Recognize the Funded  
Status of Defined Benefit Postretirement Plans

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards No. 158 (SFAS No. 158 or the Statement), *Employer's Accounting for Defined Benefit Pension and Other Postretirement Plans*. This statement requires an employer to recognize the overfunded or underfunded status of a single-employer defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity. SFAS No. 158 also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position.

A defined benefit postretirement plan is one that defines an amount of postretirement benefit to be provided to retirees. Pension benefits are usually defined as a function of one or more factors such as age, years of service or compensation. Postretirement benefits other than pensions are usually defined in terms of (a) monetary amounts (for example, \$100,000 of life insurance) or (b) benefit coverage to be provided (for example, up to \$200 per day for hospitalization, 80 percent of the cost of specified surgical procedures). Postretirement benefits include, but are not limited to, pension benefits; postretirement health care; life insurance provided outside of a pension plan to retirees; and other welfare benefits such as tuition assistance, day care, legal services, and housing subsidies provided after retirement.

The Commission's Uniform Systems of Accounts for jurisdictional entities do not provide specific implementation guidance with regard to the accounting and reporting

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matters contained in SFAS No. 158.<sup>1</sup> The following guidance is being provided to all jurisdictional entities to ensure proper and consistent implementation of SFAS No. 158 for FERC financial reporting purposes beginning with the 2007 FERC Form Nos. 1, 1-F, 2, 2-A, 6, and 60 due to be filed in 2008. Earlier implementation is encouraged.

This guidance is for FERC financial accounting and reporting purposes only and is without prejudice to the ratemaking practice or treatment that should be afforded the items addressed herein.

#### 1. ADOPTION OF SFAS NO. 158 FOR FERC ACCOUNTING AND REPORTING PURPOSES

**Background:** SFAS No. 158 provides guidance on recognition of the funded status of a single-employer defined benefit postretirement plan, measurement date of plan assets and benefit obligations, disclosure requirements, effective dates and transition provisions for its initial implementation. Some provisions allow employers certain choices in how to implement the Statement for stockholder reporting purposes. For example, paragraph numbers 12, 13, and 15 contain explicit effective dates but also encourage applying the Statement earlier than the explicit effective dates. Also, paragraph number 17 allows alternative approaches for an employer to transition to a fiscal year-end measurement date for plan assets and benefit obligations.

**Question:** Should jurisdictional entities adopt this Statement for reporting to the Commission and must it do so in the same manner as the Statement is adopted for stockholder reporting?

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<sup>1</sup> See 18 C.F.R. Part 101, *Uniform System of Accounts Prescribed for Public Utilities and Licensees Subject to the Provisions of the Federal Power Act* (2006); 18 C.F.R. Part 201, *Uniform System of Accounts Prescribed for Natural Gas Companies Subject to the Provisions of the Natural Gas Act* (2006); 18 C.F.R. Part 352, *Uniform System of Accounts Prescribed for the Oil Pipeline Companies Subject to the Provisions of the Interstate Commerce Act* (2006); 18 C.F.R. § 366.22, *Accounts and records of service companies* (2006) and 18 C.F.R. Part 367, *Uniform System of Accounts for Centralized Service Companies Subject to the Provisions of the Public Utility Holding Company Act of 2005*, Order No. 684, issued October 19, 2006, *Financial Accounting, Reporting and Records Retention Requirements Under the Public Utility Holding Company Act of 2005*, FERC Stats. & Regs. ¶ 31,229 (2006).

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**Response:** Yes, FERC jurisdictional entities should adopt SFAS No. 158 for reporting to the Commission and it should do so in the same manner as the Statement is adopted for stockholder reporting.

## 2. ACCOUNTS FOR RECORDING THE OVERFUNDED OR UNDERFUNDED STATUS OF POSTRETIREMENT DEFINED BENEFIT PLANS

**Background:** Paragraph number 4 of SFAS No. 158 requires an entity that presents a classified statement of financial position to classify the liability for an underfunded single-employer defined postretirement benefit plan as a current liability, noncurrent liability, or combination of both. The asset for an overfunded plan must be classified as a noncurrent asset in a classified statement of financial position.

**Question 2A:** What FERC accounts should jurisdictional entities use to record an asset for the overfunded status of one or more employee postretirement benefit plans?

**Response:** Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies should use the accounts shown below to record assets for the overfunded status of their employees postretirement benefit plans. Separate subaccounts should be maintained for each postretirement benefit plan and overfunded plans should not be netted against underfunded plans, consistent with paragraph number 4 of SFAS No. 158.

Jurisdictional Entity	FERC Accounts
Public utilities and licensees (Major)	Account 129, Special funds
Public utilities and licensees (Nonmajor)	Account 128, Other special funds, or Account 129, Special funds
Natural gas companies	Account 128, Other special funds
Oil pipeline companies	Account 22, Sinking and other funds
Centralized service companies	
<input type="checkbox"/> Periods prior to January 1, 2008	Account 124, Other investments, or Account 128, Other special funds
<input type="checkbox"/> January 1, 2008 and subsequent periods	Account 128, Other special funds



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**Question 2B:** What FERC accounts should jurisdictional entities use to record the liability for the underfunded status of one or more employee postretirement benefit plans?

**Response:** Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies should use the accounts shown below to record liabilities for the underfunded status of their employee postretirement benefit plans. Separate subaccounts should be maintained for each postretirement benefit plan and underfunded plans should not be netted against overfunded plans, consistent with paragraph number 4 of SFAS No. 158.

<b>Jurisdictional Entity</b>	<b>FERC Accounts: Current Liability</b>	<b>FERC Accounts: Noncurrent Liability</b>
Public utilities and licensees (Major and Nonmajor)	Account 242, Miscellaneous current and accrued liabilities	Account 228.3, Accumulated provision for pensions and benefits
Natural gas companies	Account 242, Miscellaneous current and accrued liabilities	Account 228.3, Accumulated provision for pensions and benefits
Oil pipeline companies	Account 58, Other current liabilities	Account 63, Other noncurrent liabilities
Centralized service companies		
<input type="checkbox"/> Periods prior to January 1, 2008	Account 242, Miscellaneous current and accrued liabilities	Account 253, Other deferred credits
<input type="checkbox"/> January 1, 2008 and subsequent periods	Account 242, Miscellaneous current and accrued liabilities	Account 228.3, Accumulated provision for pensions and benefits

### 3. RECOGNITION OF RELATED REGULATORY ASSETS AND LIABILITIES

**Background:** An entity provides pension and other postretirement benefits to its employees under defined benefit plans and recognizes the related expense, *i.e.*, net periodic pension and other postretirement benefit costs, for financial accounting and reporting purposes in accordance with Statement of Financial Accounting Standards Nos.

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87 (SFAS No. 87) and 106 (SFAS No. 106).<sup>2</sup> The rates the entity charges for services provided by a segment of its business are regulated by a third party regulator and are determined on the basis of the entity's costs. Development of the rates to be charged for services provided by this business segment include an allowance for postretirement benefits and the amount of that allowance is based on net periodic pension and other postretirement benefit costs determined in accordance with SFAS No. 87 and SFAS No. 106. The entity determines that it must recognize an asset for the overfunded status of its defined benefit pension plan and a liability for the underfunded status of its postretirement benefit plan other than pensions consistent with SFAS No. 158.

**Question:** At the time the entity recognizes its asset or liability to reflect the funded status of its postretirement benefit plans in accordance with SFAS No. 158, should it recognize a regulatory liability or asset for the amount of the funded status asset or liability otherwise includible in accumulated other comprehensive income related to its cost-based, rate-regulated business segment?

**Response:** Under SFAS No. 87 and SFAS No. 106, the cost of postretirement benefits provided to employees under a defined postretirement benefit plan are recognized as an expense at the time the employee provides related employment services.

Both SFAS No. 87 and SFAS No. 106 contain a delayed recognition feature. This means that certain changes in postretirement benefit obligations and the value of assets set aside to meet the obligations are not recognized when they occur but are recognized systematically and gradually over subsequent periods.<sup>3</sup> SFAS No. 158 is an amendment to SFAS No. 87 and SFAS No. 106, but it did not change the delayed recognition feature of SFAS No. 87 and SFAS No. 106.

An entity that determines its postretirement benefits allowance included in its cost-based, regulated-rates on the basis of SFAS No. 87 and SFAS No. 106 adopts that same delayed recognition feature for ratemaking purposes. That is, changes in the postretirement benefit obligation and assets set aside to meet those obligations are not included in rates when they occur but rather are included in rates systematically and gradually in subsequent periods. The recognition of an asset or liability to reflect the funded status of postretirement benefit plans which would otherwise be charged to accumulated other comprehensive income therefore constitutes a measurement of the

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<sup>2</sup> Financial Accounting Standards Board's Statements of Financial Accounting Standards No. 87, *Employer's Accounting for Pensions* and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*.

<sup>3</sup> *Ibid.* See *Summary - Fundamentals of Pension Accounting*.

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changes in postretirement obligations and the value of plan assets that are to be included in the determination of rates in subsequent periods in so far as the amounts that would otherwise be charged to accumulated other comprehensive income relate to the cost-based, rate-regulated segment of the entity.

Under the Commission's accounting requirements, regulatory assets or liabilities are to be established for amounts that would have been included in net income or accumulated other comprehensive income determinations in the current period under the general requirements of the Uniform Systems of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services.

Therefore, in the circumstances described above and provided that it is probable that the postretirement benefit allowance to be included in rates in future periods will continue to be calculated on the basis of SFAS No. 87 and SFAS No. 106, entities shall recognize a regulatory liability or asset for the funded status asset or liability otherwise chargeable to accumulated other comprehensive income under SFAS No. 158 related to its cost-based, rate-regulated business segments.

Further, the funded status asset or liability that must be recognized under SFAS No. 158, as well as any related regulatory liability or asset is not amortized over future periods. At each measurement date, the entry recorded for the previous measurement date is reversed and the computation redone. A new funded status asset or liability and related regulatory liability or asset would be recognized, if required, at the new measurement date.

This guidance is for accounting purposes only and does not limit the Commission from reviewing the reasonableness of the elements of postretirement benefit expense included in future rate proceedings before the Commission.

#### 4. FERC FORM NOS. 1, 1-F, 2, 2-A, 3-Q, 6 AND 6-Q REPORTING REQUIREMENTS

**Background:** The Commission's annual and quarterly FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q, 6 and 6-Q contain a supporting schedule for reporting accumulated other comprehensive income. The supporting schedule contains a column for reporting the minimum pension liability chargeable to accumulated other comprehensive income under the requirements of SFAS No. 87 as it existed prior to the amendments called for by SFAS No. 158. SFAS No. 158 eliminates the concept of recognition of a minimum pension liability by amending paragraph numbers 36 - 38 of SFAS No. 87.

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**Question:** How should jurisdictional entities complete the supporting schedule for reporting accumulated comprehensive income contained in the Commission's Form Nos. 1, 1-F, 2, 2-A, 3-Q, 6, and 6-Q for amounts related to the funded status of defined pension and other postretirement benefit plans under SFAS No. 158?

**Response:** In the period of initial application of SFAS No. 158, a jurisdictional entity that had recorded a minimum pension liability in accumulated other comprehensive income in preceding periods, should report in column (c), Line No. 8, the amount required to produce a zero balance in column (c), Line No. 10 for the minimum pension liability adjustment. In periods subsequent to the initial application of SFAS No. 158, a jurisdictional entity should report in column (e), Line No. 7, the amount of reclassification adjustments of accumulated other comprehensive income as a result of gains or losses, prior service costs or credits and transition assets or obligations related to postretirement benefit plans being recognized as components of net periodic benefit cost of the period. All other amounts properly included in accumulated other comprehensive income, in the year of initial application and in subsequent periods related to the funded status of defined benefit postretirement benefit plans should be reported in column (e), Line No. 8.

Additionally filers should provide full particulars in a footnote to this schedule concerning amounts reported related to the funded status of defined benefit postretirement plans consistent with the disclosure requirements of SFAS No. 158.

##### 5. ADJUSTMENTS TO RETAINED EARNINGS

**Background:** SFAS No. 158 requires an employer to measure the funded status of postretirement benefit plans as of the date of its year-end statement of financial position, with limited exceptions. Paragraph numbers 17 - 20 of SFAS No. 158 indicate that implementing the measurement date provisions of the Statement may require an adjustment to the opening balance of retained earnings.

**Question:** How should FERC jurisdictional entities recognize any required adjustment to the opening balance of retained earnings? Is a separate filing requesting Commission approval of that accounting required?

**Response:** Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies should use the accounts shown below to record any adjustment to the opening balance of retained earnings required in connection with implementing SFAS No. 158 for FERC accounting and reporting purposes.

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This guidance letter constitutes the required Commission approval for use of these accounts for this purpose and a separate filing with the Commission requesting such approval is not needed. Public utilities and licensees, natural gas companies and oil pipeline companies should report any amounts recorded in the accounts listed below on the lines designated for these accounts in the Statement of Retained Earnings schedule contained in the FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q, 6 and 6-Q.

Jurisdictional Entity	FERC Accounts
Public utilities and licensees (Major and Nonmajor)	Account 439, Adjustments to retained earnings
Natural gas companies	Account 439, Adjustments to retained earnings
Oil pipeline companies	Account 705, Prior period adjustments to beginning retained income account
Centralized service companies	
<input type="checkbox"/> Periods prior to January 1, 2008	Account 216, Unappropriated retained earnings
<input type="checkbox"/> January 1, 2008 and subsequent periods	Account 439, Adjustments to retained earnings

## 6. SUBSIDIARY FINANCIAL STATEMENTS

**Background:** Paragraph number 1 of SFAS No. 158 indicates that the Statement applies to single-employer defined benefit postretirement plans and does not change the accounting for a multiemployer plan. Paragraph number 68 of SFAS No. 87 and paragraph number 81 of SFAS 106 state that an employer participating in a multiemployer pension or other postretirement benefit plan shall recognize as net pension or other postretirement benefit cost the required contribution for the period and shall recognize as a liability any contribution due and unpaid. Questions and answers 86 and 87 in the FASB Special Report, A Guide to Implementation of Statement 87 on Employer's Accounting for Pensions, indicate that subsidiaries of an organization that has a defined benefit pension plan that covers employees at the parent company and subsidiary level should account for its participation in the overall single-employer pension plan as a participation in a multiemployer plan provided (a) each subsidiary is required to contribute to the pension plan based on a predetermined formula (for example, on a percentage-of-salary basis), (b) plan assets are not segregated or restricted on a subsidiary-by-subsidiary basis, and (c) if a subsidiary withdraws from the pension plan, the pension obligations for its employees are retained by the pension plan as opposed to being allocated to the withdrawing subsidiary.

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**Question:** How should a FERC jurisdictional entity account for its participation in a parent company sponsored pension or other defined benefit postretirement plan?

**Answer:** Public utilities and licensees, natural gas companies, oil pipeline companies and centralized service companies who prepare a separate financial statement for submission to the U.S. Securities and Exchange Commission, investors, or others and account for its participation in parent sponsored postretirement benefit plans as participation in a single-employer plan or multiple-employer plan in accordance with SFAS Nos. 87, 106, and 158, must follow the same accounting and reporting in financial statements contained in its FERC Form Nos. 1, 1-F, 2, 2-A, 3-Q, 6, 6-Q and 60.

#### 7. COST-OF-SERVICE TARIFFS/FORMULA RATE

**Background:** Jurisdictional entities may have cost-of-service tariffs or formula rates under which amounts billed each month will change based on amounts recorded pursuant to the Commission's Uniform System of Accounts. Under the tariff or formula rate, only amounts recorded in certain specified accounts affect the monthly billings.

**Question:** May jurisdictional entities include in their monthly billings any amounts recognized or reclassified in connection with the implementation of SFAS No. 158 for FERC reporting purposes?

**Response:** No. Adoption of the accounting guidance contained in this letter is for FERC accounting and reporting purposes only, and may not affect the measurement or periods in which amounts are included in jurisdictional entities' billing determinations without prior regulatory approval. If an entity's billing determinations are affected by the adoption of the guidance contained in this letter, the entity shall make a filing with the proper rate regulatory authorities before implementing the accounting change for billing purposes.

The Commission delegated authority to act on this matter to the Chief Accountant under 18 C.F.R. § 375.303 (2006). This guidance letter constitutes final agency action. Your company may file a request for rehearing with the Commission within 30 days of the date of this order under 18 C.F.R. § 385.713 (2006).

Janice Garrison Nicholas  
Chief Accountant and Director  
Division of Financial Regulation



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

**Question No. 22**

Refer to the response to the Staff's Second Request, Item 64(b). Based upon the procedural schedule for this case, would Columbia agree that the final decision would probably be entered by the Commission after June 30, 2007? If Columbia agrees, provide the originally requested information for Item 64(b).

**Response of Columbia Gas of Kentucky:**

Columbia agrees that the final decision will probably be entered by the Commission after June 30, 2007.

The most current PSC assessment rate is .1643%; see the response to 2007-00008 AG Set 2-007. The assessment rate of .1898% from the Columbia Rate Case No. 2002-00145 was inadvertently used in Columbia's Rate Case No. 2007-00008.

Columbia agrees that the .1643% rate should be used in determination of the revenue requirement.

The next assessment, which will cover the period 07/01/2007 through 06/30/2008, will be sent to Columbia sometime during the latter part of June 2007.





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

**Question No. 23**

Refer to the response to the Staff's Second Request, Item 65(a).

- a. Provide a schedule listing the types of utility plant in service that comprise the \$416,315 balance.
- b. Explain why utility plant that was in service as of test-year end was still carried on the books of Columbia as construction work in progress.

**Response of Columbia Gas of Kentucky:**

- a. Schedule B-4 Sheet 1 of 1 column G provides a listing of the types of utility plant in service that comprise the \$416,315 balance.
- b. The majority of the plant in question resides on what are termed "blanket work orders." These work orders are designed to record costs for "mass" projects, which are short term in duration such as service lines and house regulator installations. Given the short duration of this type of construction work, costs recorded to these blanket work orders are always considered to be "in-service," and are coded as such during work order implementation. An automated mechanical process moves charges on these work orders to gas plant in service on a monthly basis. Due to timing and other processing design, these work orders will always carry balances. The remainder of the plant in question pertains to specific projects that were previously placed in service, but have since received additional charges that have not yet been transferred to a gas plant in service account.



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

**Question No. 24**

Refer to the response to the Staff's Second Request, Item 70.

- a. Is the number of union employees and the number of hours worked by those employees of Columbia as of December 1, 2007 known at this time? Explain the reason.
- b. Does Mr. Humrichouse agree that Columbia submitted this rate application utilizing a historic test year?
- c. Explain how Columbia's proposal to recognize a wage rate increase that is scheduled to occur 15 months past the test-year end is consistent with the rate making concept known as the matching principle.

**Response of Columbia Gas of Kentucky:**

- a. No, the number of union employees and the number of hours worked by those employees of Columbia as of December 1, 2007, are not known at this time. Actual data is not yet available.
- b. Mrs. Humrichouse agrees that Columbia submitted this rate application utilizing a historic test year. Columbia has also proposed pro forma adjustments consistent in practice with previously submitted and litigated rate cases and consistent with 807 KAR 5:001 Section 10(7), which provides that a utility may request pro forma adjustments for known and measurable changes to ensure fair, just and reasonable rates based on the historical test period.
- c. The matching principle definition used for this response is: *a concept of recognizing revenue in the same period as the recognition of associated expense(s) or expense with associated revenue.*

Columbia's proposal to recognize a wage rate increase effective 14 months past the test-year end is consistent with the matching principle because proposed rates will be effective for recovery for this known and measurable contractual increase as of August 1, 2007, per the procedural schedule. The labor increase as referenced in part c above is effective December 1, 2007. Therefore, it will be effective during eight of the twelve months, or the majority of the rate year, and therefore in order to ensure fair, just and reasonable rates, and to best match revenue with expenses, the labor increase should be recognized.