BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 1

Refer to sheet Schedule H-1 for Witness K.L. Humrichouse. With regard to the row entitled "uncollectible account expenses", and the percentage 1.163918%, please identify:

(a) Does the 0.01163918 represent bad debt?

(b) The recovery of bad debt is part of your anticipated base rate revenue short fall, so the base rate increase will reflect recovery of bad debt of this anticipated shortfall?

Response of Columbia Gas of Kentucky:

a. The .01163918 represents an average bad debt accrual ratio. This ratio represents utility bad debt expense as a percentage of residential sales revenue and residential utility CHOICE revenue. This ratio does not include consideration for CHOICE marketer bad debt.

b. Objection. Columbia objects to part (b) of Question 1 to the extent that the question is vague and it is posed in the form of a statement rather than a question. Therefore a meaningful answer cannot be provided.

   Notwithstanding the objection, but rather specifically maintaining it, Columbia responds that the recovery of bad debt as described in part (a) has been included in the cost of service as filed in this general rate case. Bad debt is one of the many factors evaluated in determining whether a request for an increase in rates is warranted.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 2

In response to the Attorney General's Question No. 145(a) of its data requests, Columbia indicates that, "[t]he rationale for paying the marketers 97.5% of the marketers' billings is that it both reimburses Columbia for performing all of the credit and collections activity for the marketer's accounts and it encourage Columbia to promote the Choice program. Adoption and operation of Choice programs requires gas utilities to incur additional administrative burdens and costs (e.g. increase customer service, information technology, energy supply responsibilities, etc.) which would not be otherwise incurred without appropriate incentives..." With regard to this statement, please provide the following information:

(a) What are the different credit and collection activities that are performed for Choice receivables that are distinct from those performed for non-Choice customers.

(b) Please identify specific financial examples of the "additional administrative costs" referenced in your response.

Response of Columbia Gas of Kentucky:

a. Columbia applies the same credit and collection procedures for all customers regardless of their Choice status.

b. Columbia has not performed a detailed analysis, but at a high level, we incur additional time/resources in the following areas:

    a. Call Center
    b. Energy Supply Services
    c. Gas Transportation
    d. Regulatory
    e. Accounting/Finance
    f. Information Technology
    g. Communications
    h. Meter to Cash
    i. Legal

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 3

Please refer to the Historic Test Period Filing Requirements. Columbia submitted Schedule B-5 for Witness K.L. Humrichouse.

(a) Does line 4 of Schedule B-5 represent the investment made to purchase gas for storage injections?

Response of Columbia Gas of Kentucky:

a. No. Line 4 of Schedule B-5 represents a value established on Columbia's books and records using a LIFO method of valuation. The "investment made to purchase gas for storage injections" is captured in several accounts including: customer receivables, gas stored underground – non current, gas stored underground – current (the account listed on line 4 of Schedule B-5), and unrecovered purchased gas cost.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 4

How much revenue has Columbia received from off-system sales transactions since November 2005?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Subject to and without waiving the objection, Columbia states that it shares revenues derived from off-system sales transactions equally between Choice and Non-Choice customers. Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 5

How much revenue has Columbia received from capacity release transactions since November 2005?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Subject to and without waiving the objection, Columbia states that it shares revenues derived from capacity release transactions equally between Choice and Non-Choice customers. Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 6

Of the amounts detailed in response to questions (4) and (5), how much of this revenue has Columbia retained?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." This question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

Interstate Gas Supply, Inc.'s Data Request Set 1
Question No. 7
Columbia Gas of Kentucky Respondent: **Legal Counsel (as to Objection)**
Judy Cooper (as to Substantive Response)

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 7

Of the amounts detailed in response to questions (4) and (5), how much has Columbia shared with sales customers?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Subject to and without waiving the objection, the sales and Choice customers share equally via a "per Mcf" amount that is the same for sales and Choice customers. The amount is applied to the demand component of Columbia's Gas Cost Adjustment which is applicable to sales customers and credited to Choice customers as a credit within the charge to Choice marketers for Balancing Services. Columbia states that it shares revenues derived from off-system sales transactions equally between Choice and Non-Choice customers. Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 8

Of the amounts detailed in response to questions (4) and (5), how much has Columbia shared with Choice customers?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Subject to and without waiving the objection, the sales and Choice customers share equally via a "per Mcf" amount that is the same for sales and Choice customers. The amount is applied to the demand component of Columbia's Gas Cost Adjustment which is applicable to sales customers and credited to Choice customers as a credit within the charge to Choice marketers for Balancing Services. Columbia states that it shares revenues derived from off-system sales transactions equally between Choice and Non-Choice customers. Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 9

Does Columbia permit non-natural gas Marketers (as defined in its tariff) to include charges on the billing statement to the customer?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 10

If the answer to question (9) is in the affirmative, please list all other companies that are provided access to the bill and the nature of the items being included on the bill.

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 11

Are any of the companies listed in response to question (10) providing warranty services or otherwise considered a warranty company?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 12

Are any of the companies identified in question (10) in anyway related to Columbia, Nisource or any other Columbia related company? If the answer is in the affirmative, please provide an explanation of the relationship or affiliation. If the answer is negative, has there ever been such a relationship or affiliation and if so, please provide an explanation of the relationship or affiliation and the date(s) such relationship or affiliation ended.

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 13

If the answer to question (9) is in the affirmative, please provide the total amount of revenue received by Columbia for providing this service. Does this revenue include a service charge or billing charge for permitting the inclusion of the charges on the customer bill? If so, what is the charge and what is the frequency of the charge?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 14

Detail the total cost(s) incurred by Columbia to make any and all changes needed to provide the services described in the preceding questions (9) through (13). Provide the aggregate cost to date, as well as a detailed breakdown of each component that results in the total to date costs.

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 15

What is Columbia's relationship with Columbia Service Partners (or derivation of that name)?

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 16

Has Columbia identified a financial cost associated with providing billing services for Marketers? If so, what is the financial cost to date?

Response of Columbia Gas of Kentucky:

Please see response to IGS 1-19. Columbia has not conducted any other studies.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 17

Does Columbia experience incremental costs for providing billing services to Marketers? Do any of the companies identified in response to questions (9) or (10)? If so, what are the incremental costs for each group?

Response of Columbia Gas of Kentucky:

With regard to the first question, please see responses to IGS 1-19.

With regard to the second and third questions: Objection: Columbia objects to these questions because they go beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 18

With regard to the Marketer Charge related to First Revised Sheet No. 34 of the tariff, please identify:

(a) How much has Columbia collected to date for the Marketer Charge as detailed in Columbia's tariff, First Revised Sheet No. 34, under the heading "Marketer Charge"?

(b) What is the purpose of the Marketer Charge?

(c) Is the Marketer Charge cost based? How was the Marketer Charge calculated? Please provide any working documents related to the calculation of the Marketer Charge.

Response of Columbia Gas of Kentucky:

a. The total Marketer Charges during the period November 2005–September 2006 were $347,093.

b. The purpose of the Marketer Charge is, as stated on page 8 of the Application filed in Case No. 2004-00462, seeking approval of the current Choice program,

"Marketers participating in the CHOICE program will pay a fee for each Mcf consumed by their CHOICE customers each month, based on the total number of Columbia customers participating in the CHOICE program each month. The revenue generated by the marketer fees will be retained by Columbia to help offset the costs of administering the CHOICE program. The marketer contribution charge will be tiered, as set forth below, to provide an incentive for Columbia to promote the CHOICE program:

Up to 50,000 participating customers, marketer contribution = $.10/Mcf
50,000-65,000 participating customers, marketer contribution = $.12/Mcf
Over 65,000 participating customers, marketer contribution = $.14/Mcf"

c. The marketer charge is not cost based. In 2004, Columbia and IGS met on several occasions to discuss the future of the CHOICE program. Columbia and IGS were able to agree on the concepts of a regulatory structure for submission to the Commission for a new Choice program, and that agreement was embodied in the proposals contained within the Application in Case No. 2004-00462. The Marketer Charge was one element of that proposal. Columbia also met with other stakeholders and reviewed with them the regulatory structure contained in that Application. Those groups represented residential and commercial customer interests within Columbia's service territory. In addition to IGS, the parties were MxEnergy, Inc., the Office of Attorney General of the Commonwealth of Kentucky, the Lexington-Fayette Urban County Government, and the Community Action Council for Fayette, Bourbon, Harrison and Nicholas Counties.

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 19

In response to the Attorney General's Question No. 145(b) of its data requests, Columbia indicates that, "[t]he $0.20 per account billing charge enables Columbia to recover some of the additional costs incurred by Columbia for billing marketers…" With regard to this statement, please identify the following information:

(a) What are the "additional costs" referenced in your response to No. 145(b).

(b) Does Columbia bill Columbia Service Partners and/or Columbia Retail Services for these additional costs as well?

Response of Columbia Gas of Kentucky:

(a) The additional costs to provide billing services for Choice marketers are incremental to what is currently being provided and recovered from sales customers. When a customer switches to Choice and Columbia provides a consolidated billing service for the marketer, additional time and money is spent on the following:

- printing the Choice marketer information on the bill
- the potential for additional postage (this assumes at times, the Choice information may require us to print another page, and therefore increases postage)
- programming changes necessary to bill marketer's rates
- setting up rates in the systems
- performing pre-bill testing
- auditing/compliance testing
- additional reporting and booking requirements

(b) Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.**

Question No. 20

How many dollars were spent on educational efforts related to the Choice program to date? Please detail how those dollars were spent.

Response of Columbia Gas of Kentucky:

The monumental education effort for the Choice program began in 2000. Columbia has tracked spending $232,485 specifically to educate customers about Choice. These dollars were spent on a variety of efforts including radio, newspaper and specialty publication advertising as well as an informational video, Choice brochure and market research. Columbia has relied heavily on its ability to communicate through bill inserts, community presentations, media coverage and its web site as well as its Customer Contact Center and employee communications to inform customers and answer questions about the Choice program. These costs are not specifically identified as Choice related and are not recorded as Choice related education costs.

Interstate Gas Supply, Inc.'s Data Request Set 1
Question No. **21**
Columbia Gas of Kentucky Respondent: **Herbert A. Miller (as to Substantive Response)**
Legal Counsel (as to Objection)

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
INTERSTATE GAS SUPPLY, INC.

Question No. 21

A letter dated March 30, 2007 indicates that the pendancy of the rate case may impact the decision-making process related to continuation of the Choice program post March 31, 2009. Please provide any and all detail regarding how the pending rate case would impact the decision regarding continuation of the program, as well as any and all documentation that has been used to date in evaluating the continuation of the Choice program post March 31, 2009.

Response of Columbia Gas of Kentucky:

Objection: Columbia objects to this question because it goes beyond the scope of IGS's limited participation in this proceeding. In its Motion to Intervene, IGS raised the areas of inventory costs and accounts receivable costs as grounds for its intervention. In its order dated April 2, 2007, the Commission limited "the participation of IGS to those areas it has identified in its request, in that the proposed rate adjustment may be unequally allocated between Choice Program Customers and those not participating in the Choice Program." Therefore, this question is irrelevant to IGS's issues and the question is not reasonably calculated to lead to the discovery of admissible evidence.

Subject to and without waiving the objection, the type and magnitude of issues raised about the Choice program, the potential means, costs, and cost-recovery associated with resolving those issues, the participation of customers in the program and the extent of savings, if any, experienced by customers in the program through the expiration date, could all impact the Choice program design and/or the program's viability going forward. To decide to continue or cancel the Choice program with such unknown risks for the Company would not be reasonable. No such documents exist.