COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC., FOR AN ADJUSTMENT IN RATES	))	CASE NO. 2009-00141

SECOND DATA REQUEST OF COMMISSION STAFF TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. ("Columbia"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due no later than June 16, 2009. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to questions related to the information provided.

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

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

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

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to page 3 of the Prepared Direct Testimony of Herbert A. Miller, Jr. ("Miller Testimony") and the response to Item 36 of the Commission Staff's First Data Request ("Staff's First Request"). Columbia had 133 employees in the test year. Provide a breakdown showing 1) the number of union employees, 2) the number of exempt employees and 3) the number of non-exempt employees.

2. Refer to page 9 of the Miller Testimony.

   a. Explain how Columbia chose 30 years as the period of time over which to implement its Accelerated Main Replacement Program ("AMRP").

   b. Given that it would otherwise take roughly 50 years to replace the 525 miles of mains that fall into the priority pipe category described in the testimony, explain why the number of years for the AMRP is not substantially less than 30 years.

   c. Nearly $210 million is listed as the amount that Columbia will invest in its AMRP. Provide the amount invested in the AMRP during the test year.

3. Refer to page 12 of the Miller Testimony and pages 5-7 of the Prepared Direct Testimony of Amy L. Efland ("Efland Testimony") which discuss the declines in weather-normalized usage per customer as well as in numbers of customers.

a. To what does Columbia attribute the decline in the number of customers for each customer class?

b. For the 2009 decline in usage by major industrial and commercial customers, to what extent does Columbia believe these declines to be temporary due to the current economic recession?

c. What was the number of customers in each customer class on (1) January 30, 2009; (2) February 28, 2009; (3) March 31, 2009; and (4) April 30, 2009?

4. At the end of the test year, how many of Columbia's residential customers did not use natural gas for space-heating purposes? Provide the average monthly usage of Columbia's non-space-heating residential customers.

5. Has Columbia performed any kind of sensitivity analysis to determine the customer charge level that would result in fuel-switching by 1) non-space-heating residential, and 2) space-heating residential customers? If yes, provide the results of the analysis.

6. Is Columbia aware of fuel-switching by the residential customers of other NiSource subsidiaries that could be attributed to a partial or complete shift to a straight-fixed variable ("SFV") rate design? If yes, identify the subsidiaries, the jurisdictions in which they operate, and the extent to which fuel-switching has been realized.

7. Refer to page 19 of the Miller Testimony, which indicates that Columbia's proposed increase in base rates would have to be adjusted if the Commission does not

approve the proposed Gas Cost Uncollectible Charge. Provide the amount of such an adjustment along with revised versions of all schedules, exhibits and workpapers that will be affected by this adjustment.

8. Refer to page 16 of the Prepared Direct Testimony of David E. Mueller, specifically concerning the need to replace service lines as part of the AMRP. Provide a schedule which shows the length (feet, miles, etc.) of pipe to be replaced over the 30-year life of the program broken down by category of line (i.e., service lines, distribution mains, etc.). Include the estimated cost to replace each category.

9. Refer to pages 3-5 of the Prepared Direct Testimony of Judy M. Cooper ("Cooper Testimony").

a. Provide the number of disconnections and related reconnections, other than those requested by customers, by month, from January 2007 through the most recent month for which information is available.

b. Has Columbia experienced a higher level of customers unable to reconnect as a result of the higher reconnect fee approved in Case No. 2007-00008?[1] Is there any concern that an increase to a $60 reconnect fee could impact the ability of low-income customers to reconnect?

c. Explain whether the 75 percent behavioral adjustment has any basis in research or fact.

---

[1] Case No. 2007-00008, Adjustment of Rates of Columbia Gas of Kentucky, Inc. (Ky. PSC Aug. 29, 2007).

d. Refer to Attachment JMC-1 to the Cooper Testimony. Provide a breakdown of the $26.14 for labor and the $38.06 for overheads and vehicle charges contained in the Cost Analysis of the Reconnect Fee.

e. Provide the number of disconnections and related reconnections requested by customers, by month, from January 2007 through the most recent month for which information is available. Does Columbia know or can it estimate how many of these are actual seasonal disconnects/reconnects and how many are not?

f. In the event that it waives a fee for the cost of a remote meter reading device, explain whether Columbia is proposing to absorb the cost.

10. Refer to page 7 of the Cooper Testimony.

a. Explain why Columbia proposes to change the manner in which customers enroll in its budget plan from that of the customer choosing to opt in to the plan to one of automatically being enrolled unless choosing to opt out.

b. Describe in detail how, under Columbia's proposal, a new customer will be informed of 1) the automatic enrollment and 2) the option of not participating in the budget plan.

c. Is there any possibility that a new customer may not know he/she is a budget plan customer until the first bill for service is received? Explain the response.

11. Refer to page 8 of the Cooper Testimony. Columbia is proposing to change the start month of the budget plan from August to May and the settlement month from July to May.

a. Explain why Columbia's tariff does not include this information.

b. First Revised Sheet No. 76 shows a deletion of the "Off Season Equal Payment Plan". How many customers would be affected by this deletion?

c. Explain why Columbia is proposing to recover AMRP costs; Pension and Other Post-retirement Employee Benefits ("OPEB") Mechanism ("POM") expenses; and Demand-Side Management ("DSM") costs and incentives on a per-customer basis as opposed to a volumetric basis.

d. Columbia has historically provided for an adjustment to customers' budget amounts at, or shortly after, the end of the heating season. Explain whether changing the budget year as proposed means there will no longer be an opportunity for such an adjustment.

12. Refer to Third Revised Sheet No. 70 which describes reconnection of service.

a. The proposed charge of $143.36 for reconnection after customer-requested disconnection is calculated by multiplying the proposed customer charge of $17.92 times eight months. Explain why this is fair to a customer who elects to be off the system for less than eight months, for example, four or six months.

b. Given the $83.36 difference between the cost to reconnect after being discontinued for non-payment and the cost to reconnect after discontinuance at the customer request, explain whether Columbia believes some customers in the latter group may elect to be cut off for non-payment, thereby saving $83.36.

c. Given that 807 KAR 5:011, Section 10, requires that nonrecurring charges cover the specific cost of the activity, explain why it is reasonable to charge an amount other than the actual cost of the reconnection.

13. Refer to Seventh Revised Sheet No. 82 which describes elements of the customer bill content. Number 12, Gas Supply Cost, adds the uncollectible gas cost charge to the definition of the "cost of natural gas itself". Explain whether Columbia proposes to set out the uncollectible gas cost charge as a separate element on the customer bill, or roll it into the calculation.

14. Refer to page 10 of the Cooper Testimony.

a. Ms. Cooper states that Columbia modeled its Rider AMRP on the rider approved for Duke Energy Kentucky. Identify and describe all differences between the two programs other than the program years, miles of pipe, and total investment noted on this page.

b. Ms. Cooper also states that Columbia proposes to submit its annual adjustment of Rider AMRP on or about April 1 of each year to be effective on and after its June billing cycle and that the adjustment would be subject to Commission review. Describe the effects on Columbia if the Commission review is not completed by the June billing cycle.

c. Provide examples of the AMRP filing formats Columbia would propose utilizing for its annual AMRP Rider filing.

15. Refer to page 6 of the Prepared Direct Testimony of William Steven Seelye ("Seelye Testimony"). Mr. Seelye states that Columbia's proposed DSM program is modeled on that approved for Delta Natural Gas Company. Identify and describe all differences between the two programs.

16. Refer to page 7 of the Seelye Testimony. Mr. Seelye states that the program costs will include the costs of planning, developing, implementing, managing,

monitoring and evaluating the DSM programs, and will include cost for consultants, employees and administrative services. How will Columbia ensure that the costs incurred are reasonable?

17. Refer to pages 10-11 of the Seelye Testimony where he describes methods utilities use to protect against revenue losses resulting from implementing DSM programs and states that Columbia's proposed Energy Efficiency/Conservation Program ("EECP") contains a "Revenue from Lost Sales" component. Mr. Seelye also describes an SFV rate design and states that adoption of such a rate design with only a fixed billing charge removes the need for a "Revenue from Lost Sales" component. If an SFV rate design eliminates the need for a "Revenue from Lost Sales component", does having a Revenue from Lost Sales component in rates have the effect of eliminating the need for an SFV rate design? Explain the response in detail.

18. Refer to pages 10-17 of the Seelye Testimony where he states that any difference between the lost revenues collected by the EECP Revenue from Lost Sales component and actual lost revenues will be reconciled in future billings under the EECP Balance Adjustment ("EECPBA").

a. Describe in detail how the "actual lost revenues" discussed on page 10 will be calculated.

b. Page 13 contains an estimate of the EECPBA. Explain whether this true-up will adjust for the difference between estimated and actual costs, estimated and actual lost sales, and estimated and actual net resource savings (which are the basis of the incentive collection).

c. Explain how Columbia determined that its incentive for administering the EECP should be 15 percent.

d. Provide the basis for the estimate of 4,000 audits mentioned on page 15, as well as the $50 cost per audit.

e. Provide the basis for the 1,600 estimated participants in the High-Efficiency Appliance Rebate Program mentioned on page 16.

f. For the High-Efficiency Appliance Rebate Program, explain how Columbia developed the rebate amounts.

g. Mr. Seelye states on page 16 of his testimony that, under the Low-Income High Efficiency Furnace Replacement Program, Columbia will provide up to $2,200 toward the cost of installing a high-efficiency furnace. Does Columbia expect that, in most cases, the $2,200 will cover the entire cost of the furnace and installation, or does it expect that customers will incur a portion of the cost? If the latter is expected, provide the estimated amount to be incurred by the customer.

h. Provide the basis for the 140 estimated participants in the Low-Income High Efficiency Furnace Replacement Program mentioned on page 17.

i. Have guidelines been developed regarding the details of the DSM programs? If yes, provide the guidelines.

19. Refer to Attachment Seelye-2.

a. Explain the use of the $2.00 amount in calculating Annual Lost Revenues.

b. Provide the calculations for the $104,614 and $69,797 Incentive Amounts.

c. Provide the calculation for the estimated customer-month total of 1,496,096.

20. Refer to Original Sheet No. 51e at Tab L of Volume 6 of the application.

a. The third paragraph on this page begins, "Recovery of revenues..." Is a correction needed to this paragraph or is it written as intended?

b. Refer to the second to the last paragraph, the second line. Should the fifth word on this line be "of" rather than "on"?

c. Refer to the last paragraph on this page. Explain what is meant by "February Unit 1 billing cycle".

21. Refer to pages 6-9 of the Prepared Direct Testimony of James F. Racher ("Racher Testimony") and Attachment JFR-1 regarding the proposed rate base adjustment for gas stored underground.

a. The answer starting at the bottom of page 6 of the Racher Testimony states that Columbia uses the annualized Last-In-First-Out ("LIFO") method to value gas inventory. Provide a detailed explanation for why this is the method used by Columbia. At a minimum, the answer should discuss the merits of LIFO in general, as well as why the annualized LIFO method is Columbia's preferred method.

b. The answer at the bottom of page 8 refers to Attachment JFR-1 and a 13-month average balance of gas in storage for the test year of ($32,765,396). However, the attachment (and Commission Staff's calculation) indicates a positive balance of $32,765,395. Clarify whether Mr. Racher is testifying that the 13-month test year balance is positive or negative.

c. Attachment JFR-1 covers Columbia's calendar year 2008 test year. Provide the same injection, withdrawal, and balance information, in the same format as in Attachment JR-1, for Columbia's gas in storage for the years 2004 through 2007.

22. Refer to page 14 of the Racher Testimony, Schedule D-2.2 in Volume 6 of Columbia's application, and Workpaper WPD-2.2 in Volume 8 of the application.

a. The proposed adjustment for labor costs includes expected merit increases for union employees effective with wages beginning December 1, 2009. Explain what is meant by the descriptive phrase "expected merit increases" and whether it means the amounts of such increases are tentative rather than firm amounts.

b. The 2009 increases for non-union employees include a 3.0 percent increase effective March 1, 2009 for non-exempt employees and front line leaders and September 1, 2009 for other exempt employees. Provide Columbia's definition of front line leaders and clarify what employees are considered exempt.

c. The Commission has traditionally limited how far outside the test year it will allow post-test-year expense adjustments, especially if such adjustments are made in isolation from similar adjustments to revenues, rate base and capitalization. Explain why adjustments for wage and salary increases scheduled to take effect as much as eight months after the test year for other exempt employees, and 11 months after the test year for union employees, should be allowed for ratemaking purposes.

d. WPD-2.2, Sheet 8 of 15, shows the 2009 increases separately for clerical, exempt and union employees. Provide the 2009 increases with the amounts shown separately based on the respective effective dates of March 1, September 1, and December 1, 2009.

23. Refer to page 15 of the Racher Testimony and Schedule B.3-2, which relate to the proposed depreciation expense adjustment and the proposed changes in annual depreciation accrual rates. Provide a second version of Schedule B.3-2 based on Columbia's existing annual depreciation rates.

24. Refer to pages 15-16 of the Racher Testimony, specifically, the proposal to amortize Columbia's estimated rate case expenses over a two-year period based on it having been approximately two years since its last rate case.

a. Prior to 2007, Columbia had gone five years since its previous rate case in 2002. Prior to its 2002 rate case, Columbia had gone eight years between rate cases. Explain whether there are any overriding reasons for why only the period between Columbia's most recent general rate case and its current rate case should be the basis for the period over which its rate case expenses will be amortized.

b. One of the benefits of adopting an SFV rate design cited in the Prepared Direct Testimony of Mark P. Balmert ("Balmert Testimony") is less frequent rate cases. Explain whether any consideration was given to this benefit prior to proposing two years as the amortization period for Columbia's rate case expenses.

25. Refer to Schedule C-2.2 in Volume 6 of 8 of Columbia's application.

a. Provide a detailed explanation for why Account 870, Supervision and Engineering, increased by roughly $250,000 (50 percent) from 2007 to 2008.

b. Provide a detailed explanation for why Account 878, Meters and House Regulator Expense, increased by roughly $270,000 (20 percent) from 2007 to 2008.

c. Provide a detailed explanation for why Account 887, Mains, increased by roughly $240,000 (20 percent) from 2007 to 2008.

d. Provide a detailed explanation for why Account 903, Customer Records and Collections – Utility Services, increased by roughly $1.7 million (181 percent) from 2007 to 2008.

e. Provide a detailed explanation for why Account 910, Miscellaneous Customer Account Expense, increased by nearly $480,000 (2000 percent) from 2007 to 2008.

f. Provide a detailed explanation for why Account 920, Administrative and General Salaries, increased by roughly $735,000 (280 percent) from 2007 to 2008.

26. Refer to Schedule D-2.1, at Tab D in Volume 6 of Columbia's application.

a. For all adjustments in this schedule that eliminate unbilled revenues and unbilled expenses, provide the amount of the unbilled portion for each schedule and the rationale for the elimination.

b. Refer to page 1 of 6. Explain why the amount recorded on Columbia's books for Public Utility Revenue is shown as zero when revenue was realized during the test year for this service as indicated on Schedule M-2.1, page 3 of 6, and normalized on M-2.2, page 20 of 38. Are these sales recorded per book in Account 483, Sales for Resale? If no, state the account in which they are recorded.

c. Refer to page 3 of 6. Provide a detailed breakdown of the $16,545,195 shown as "Per Books Other Gas Department Revenue" and explain why it differs significantly from the normalized amount of $683,915.

d. Refer to page 4 of 6. Explain why "Purchase Gas Expense" of $390,527 would be included in "Total Annualized Gas Cost Revenue".

e. Refer to page 5 of 6.

(1) Identify where in this adjustment the removal for the uncollectible expense related to the expected gas cost which Columbia is proposing to recover through a separate surcharge is found.

(2) Given that the jurisdictional percentage is 100 percent, explain why line 12 shows (31,301) rather than (70,761).

27. Refer to page 1 of the Prepared Direct Testimony of Paul R. Moul ("Moul Testimony"). In Columbia's last rate case, Case No. 2007-00008,[2] Mr. Moul's cost of common equity recommendation was 11.5 percent. Provide a discussion of the differences in the basis of that recommendation and the 12.25 percent recommendation in the present case.

28. Refer to the Moul Testimony at page 4 and Attachment PRM-3.

a. Provide copies of the pages from the Value Line Investment Survey for all of the gas companies which were considered for the selection of the Gas Group.

b. On page 4, Columbia states that Laclede and Nicor were not selected for the Gas Group because they lack a weather normalization feature in their tariffs. Explain why this is reason for exclusion from the Gas Group.

c. On PRM-3, page 2 of 2, Laclede and Nicor are not selected for the Gas Group because they lack a decoupling mechanism in their tariffs. State whether

[2] Id.

Columbia has a decoupling mechanism in its tariff and explain why this is a reason for exclusion from the Gas Group.

d. Both NiSource and Atmos Energy have natural gas and pipeline storage operations, yet NiSource was rejected from the proxy group. Explain the differences between NiSource and Atmos.

e. For each of the gas companies followed by Value Line that were not included in the Gas Group, provide a more detailed explanation of the basis for their rejection as a proxy for Columbia.

f. If a capital pool capital financing arrangement with NiSource is used by Columbia, explain how the presence of NiSource's electric operations should be a factor in its exclusion from consideration as a proxy.

29. Refer to the Moul Testimony, Appendix F, Flotation Costs.

a. Provide a description of how firms operating in non-regulated competitive markets treat and recover flotation costs when the firm raises additional capital through the equity markets.

b. Provide a description of how firms operating in non-regulated competitive markets treat and recover flotation costs when the firm raises additional capital through the bond markets.

c. Provide a step-by-step description of how Columbia acquires additional capital through its parent company, beginning with how the parent acquires capital.

30. Refer to the Moul Testimony at pages 7-8. Since Columbia does not profit from the sale of gas, provide further explanation of why its risk profile is strongly influenced by the sale and delivery of gas to its largest customers.

31. Refer to the Moul Testimony at pages 9-10. For each company in the Gas Group that has operations in more than one state, provide a state-by-state breakout of where weather normalization mechanisms are in the companies' tariffs.

32. Refer to the Moul Testimony at pages 13-14.

a. Provide a detailed explanation, including ratings agency reports, of why NiSource's ratings are so low.

b. Provide an explanation of specifically how Columbia's actions have contributed to the low ratings attributable to the parent.

33. Refer to the Moul Testimony, Attachments PRM-7, PRM-8, and PRM-9. Provide a spreadsheet showing the underlying data for each company in the Gas Group used to construct the graphs in each exhibit.

34. Refer to the Moul Testimony at pages 20-22, Attachments PRM-5 and PRM-6, and Schedules J-1.1 and J-2 in Volume 6 of 8 of Columbia's application.

a. The testimony indicates that Mr. Moul developed a hypothetical capital structure of 45 percent long-term debt and 55 percent common equity using averages for the Gas Group, excluding short-term debt. He acknowledges that short-term debt for gas utilities fluctuates greatly over the course of their fiscal years and states that short-term debt for gas utility is usually stated on an average basis. Explain why Mr. Moul concluded that a short-term debt average should not be part of his hypothetical structure.

b. The testimony states that in his analysis, to develop capital structure ratios, Mr. Moul began with Columbia's rate base. Attachment PRM-5 appears to show that Mr. Moul began with Columbia's capitalization and adjusted it to equal the proposed rate base. Provide clarification of whether this is an accurate characterization.

c. Columbia's proposed rate base is greater than its capitalization. Explain whether this indicates that a portion of the rate base has been supported with funds other than those supplied by investors.

d. Schedules J-1.1 and J-2 reflect a cost rate for short-term debt of 3.24 percent based on the average rate of the NiSource Money Pool in the last three months of the test year. Provide the calculation of the average rate for the money pool using the last three months of the test year and the months of 2009 for which information is currently available.

35. Refer to the Moul Testimony at page 44, and page 2 of Attachment PRM-12. Provide an explanation of why using either the various range median values or the average of the geometric mean and median values to obtain a midpoint estimate provides a meaningful calculation of risk differentials.

36. Refer to the Moul Testimony at page 48. Provide copies of industry literature commonly available to investors, such as Ibbotsons, which prescribes how and why Betas need to be unleveraged and then re-leveraged for use in Capital Asset Pricing Model analyses.

37. Explain how Columbia's required return on equity will be affected if the Commission approves Columbia's SFV Rate Design proposal.

38. Refer to page 5 of the Balmert Testimony where Mr. Balmert discusses how test year billings are adjusted. Explain the difference between discontinued service (Attrition) bills shown in column 6 on Sheet 1 of Workpaper WPM-B and bills of customers who have chosen to discontinue service (Finalled Bills) shown in column 7.

39. Refer to page 10 of the Balmert Testimony. Mr. Balmert states that for residential and small commercial rate schedules, the Ogive method was used to create the bill frequencies. Explain why the Ogive method was used and whether this means that Columbia's billing system is not able to provide the actual bill frequency.

40. Refer to pages 14 and 15 of the Balmert Testimony where he discusses how Annualized Test Year Revenues at current and proposed rates were developed. Provide calculations showing how Current Revenue Less Gas Cost Revenue of $24,154,350.48 in column (K) in Schedule M-2.2 was derived for General Service – Residential; and how Proposed Revenue Less Gas Cost Revenue of $32,222,134.30 was derived in Schedule M-2.3 column (F) for General Service – Residential.

41. On page 15 of his testimony, Mr. Balmert discusses the development of Schedule N, the Typical Bill Comparison. Explain how typical bills for residential customers using proposed rates were calculated in column D of pages 1 and 2 of Schedule N.

42. Refer to pages 27-29 of the Balmert Testimony. Mr. Balmert explains the allocations of the proposed increase to Columbia's customer classes. Explain why Columbia proposes to implement the full $331.50 customer charge calculated in the cost-of-service study for its IUS customers, while it proposes a gradual phasing in of higher customer charges for all other customer classes.

43. Refer to page 30 of the Balmert Testimony. Mr. Balmert states that, in the event the Commission does not approve Columbia's request to make the Late Payment Penalty applicable to residential customers, its proposed base rates in Attachment MPB-6 would have to be redesigned to exclude the proposed late-payment penalty revenue contribution. Provide work papers showing the effect of removing residential late-payment penalty revenues from the calculation of base rates. Include Attachment MPB-6 along with any other attachment or exhibit that would be affected.

44. Refer to page 42 of the Balmert Testimony. The fourth rate objective achieved by the SFV rate design, as cited by Mr. Balmert, is alleviating the need for a decoupling mechanism which requires frequent controversial reconciliations and weather adjustments.

a. Explain whether Columbia is no longer interested in a rate stabilization or annual rate-review mechanism such as was set forth in the Joint Direct Testimony of Columbia, Delta Natural Gas, Inc., and Atmos Energy Corporation in Administrative Case No. 2008-00408.[3]

b. If Columbia were to move completely to an SFV rate design in Year 2 as proposed, would it propose to discontinue the use of its Weather Normalization Adjustment? Explain the response.

45. Refer to Attachment MPB-1, page 8. For Factor No. 16, Mr. Balmert states that, "[i]ndividual installed meters for residential, small commercial, and small industrial customers were identified on Columbia's DIS and summarized by the four

---

[3] Case No. 2008-00408, Consideration of the New Federal Standards of the Energy Independence and Security Act of 2007.

pressure groups". Explain what is meant by "Columbia's DIS" and identify the four pressure groups.

46. Refer to Attachment MPB-2.

a. In column D heading, should the factor read D = C x .6132?

b. In column G heading, should the factor read G = F x .3868?

47. Refer to Attachment MPB-6 of the Balmert Testimony. Provide an electronic version of this schedule with the formulas intact and unprotected.

48. Refer to Tab 39 in Volume 5 of 8 of the application.

a. Provide an electronic version of both cost-of-service studies with the formulas intact and unprotected.

b. Describe all differences in methodology between the cost-of-service studies filed in Columbia's most recent rate case and the current case.

49. Refer to Tab M of Volume 6 of 8 of the application.

a. Refer to Schedule M-2.1, page 1 of 6.

(1) Provide a general description of the rate schedules G1R and G1C, IN3-IN5, and LG2-LG4.

(2) Provide an explanation for the adjustment on Line 12 entitled "Rate Refund Normalization".

(3) On line 20, explain why the "Base Period Revenue Less Gas Cost Revenue" is a negative number.

b. Refer to Schedule M-2.1, pages 2-5 of 6. Explain why adjustments are made to add estimated bills for December 2008 and actual bills for December 2007 and to subtract actual bills for December 2008 and estimated bills for December 2007.

Include in the explanation the meaning of "GMB" that appears at the front of each of these adjustment titles.

c. Refer to Schedule M-2.1, page 4. Provide a general description of the rate schedules FX1-FX8.

d. Refer to Schedule M-2.1, page 6. Describe in detail the nature of the $10,897,017 amount recorded in Account 495, Non-Traditional Sales.

e. Refer to Schedule M-2.2. Column M appears to be the result of subtracting Column K from Column F. Explain what Column F contains and why it does not appear on this schedule.

f. Refer to Schedule M-2.2, page 21 of 38. Explain why the EAP Recovery rate charged to this rate class is .0549 as opposed to the .0525 charged to rate class GSR.

g. Provide an electronic version of Schedules M-2.2 and M-2.3 with the formulas intact and unprotected.

50. Refer to Tab 39 in Volume 5 of 8 of the application.

a. Refer to page 1 of 28. On line 2, total company operating and maintenance is shown as $30,401,363. What accounts for the difference between this amount and the $30,219,684 that appears on page 3 of 28, line 3?

b. Refer to page 12 of either cost-of-service study. Provide this schedule using proposed rates. The total on line 11 of the requested schedule should equal line 1, Total Revenues, on page 1 of both studies.

c. Refer to page 27 of both cost-of-service studies. For Factor No. 8, explain why the percentages on line 16 do not correlate with the amounts on line 15. As

Factor 8 allocations were made using the percentages as they appear on these pages, if corrections to the percentages on line 16 are necessary, update all affected schedules.

51. Refer to page 12 of the Prepared Direct Testimony of John J. Spanos ("Spanos Testimony").

a. Explain why 1969 through 2008 was chosen as the historical period used to estimate the net salvage percentages used in Mr. Spanos' depreciation study.

b. Identify the other gas companies for which Mr. Spanos considered estimates and whether those estimates were developed by Mr. Spanos or his firm.

c. Provide a detailed explanation for why Mr. Spanos chose to use the equal life group procedure for determining the remaining life annual accrual for each vintage property group. If the equal life group procedure reflects a change from the method currently used by Columbia, identify and describe the current method.

52. Refer to the question and answer beginning at the bottom of page 14 of the Spanos Testimony. The second sentence in the answer states that "historical data did not maintain a type pipe identifier, but historical balances were available by pipe type, therefore, separate life characteristics could not be accurately studied." Explain why having historical balances available "by pipe type" prevented an accurate study of separate life characteristics.

53. Refer to the depreciation study performed by Mr. Spanos filed at Tab 32 in Volume 2 of 8 of Columbia's application.

a. Refer to pages II-11 through II-15. Provide general definitions of the terms "Experience Band" and "Placement Band" and explain why the periods of the two bands are 10 and 15 years, respectively.

b. Refer to page II-25. Explain why statistical indications for the periods 1939 through 2008 and 1974 through 2008 are the bases for the survivor curve estimate for Accounts 376, Mains.

c. Refer to pages II-25 through II-27. Columbia's net salvage percent for Account 376, Mains, based on the period 1969 through 2008, is 12 percent negative net salvage while the range of estimates made by other gas companies for mains is negative 15 to negative 75 percent. Columbia's cost of removal for the most recent five years averaged 13 percent. With this set of facts, explain why it is appropriate to select negative 15 percent for Columbia's mains.

d. For all Columbia's plant accounts other than Account 376, Mains, provide the net salvage percent based on the period 1969 through 2008, the average cost of removal for the five most recent years, and the range of estimates made by other gas companies.

e. Identify the other gas companies from whom the range of estimates was developed and any of the estimates that were developed by Mr. Spanos or his firm.

54. Refer to page 4 of the Prepared Direct Testimony of June M. Konold ("Konold Testimony") regarding how Rider POM would work. Clarify whether the reference to Columbia having a fiscal year ending June 30th is correct.

55. Refer to the table on page 5 of the Konold Testimony.

a. Explain, generally, why the year-to-year percent of change has been so much greater for pension expense than for OPEB expense for the period 2004 to 2009.

b. The pension expense and OPEB expense amounts for calendar year 2009 are estimates. Provide workpapers, spreadsheets, calculations, etc. which show the derivation of these estimates. Include a narrative description which identifies all relevant assumptions.

c. Provide the same information shown in the table for 2004 through 2009 for the years 1999 through 2003.

56. The text on page 8 of the Konold Testimony indicates that Columbia, with its Rider POM proposal, is seeking a long-term solution to the problem of volatility in pension and OPEB costs and accurately reflecting such costs in rates. Explain whether Columbia considered other approaches to addressing this problem such as 1) deferring the costs and for amortization and recovery in a subsequent rate case or 2) including an average representative amount for recovery in base rates. If these or other approaches were considered, explain why they were rejected in favor of the proposed rider.

57. Refer to page 9 of the Konold Testimony in which Ms. Konold states that, if Columbia is not authorized to defer pension and OPEB expenses as requested in Case No. 2009-00168,[4] the 2009 level of pension and OPEB expenses should be used for the purpose of calculating Columbia's base rates. Provide a schedule showing the

[4] Case No. 2009-00168, Application of Columbia Gas of Kentucky, Inc. to Establish a Regulatory Asset Related to Pension an Other Post-Retirement Benefit Expenses (Filed April 23, 2009).

base rates based on the proposed revenue allocation and rate design that would result if these expenses were included in Columbia's base rate revenue requirement.

58. Refer to page 3 of the Efland Testimony which states that normal weather is defined by a 20-year average (this is a change from 30-year averages proposed by Columbia in its past rate cases). The Commission has not approved averages less than 30 years, with the exception of one 25-year average. Explain why a 20-year average is proposed rather than a 25-year or 30-year average and provide weather normalized usage and adjustments for the test year using averages of both the 25-year and 30-year periods ending in 2008.

59. Refer to page 3 of the Efland Testimony. Is September included in calculation of the base load even if September contains Heating Degree Days?

60. Refer to Workpaper WPM-C in Volume 8 of 8 in Columbia's application. Provide all calculations used in determining weather adjustments used to normalize volumes for all classes as found in column (2) of Sheet 1 of the workpaper.

61. Refer to the Prepared Direct Testimony of Erich A. Evans.

a. Describe the methodology that Columbia will use to determine the posted prices offered to potential Price Protection Service ("PPS") customers.

b. Explain how the proposed early termination fee will be charged. If a customer terminates after nine months, would he/she be charged $30 - $10 per each remaining month in the one-year term? If a customer terminates after three months, would he/she be charged only $60 as opposed to $90? Explain the response.

c. Explain how Columbia arrived at the $10 per month, maximum of $60, early termination fee.

d. Mr. Evans states on page 3 of his testimony that Columbia will enter into financial hedges to control its risk associated with the PPS and Negotiated Sales Service ("NSS") pricing. Describe the types of hedging that will be used and explain how they will differ from Columbia's current hedging programs and whether Columbia anticipates requiring Commission approval to enter into these hedges.

e. On page 4 of his testimony, Mr. Evans states that most customers who use 25,000 Mcf or less per year would be eligible for PPS and those using more than 25,000 Mcf per year would be eligible for NSS. Explain why most, but not all, customers using less than 25,000 Mcf per year would be eligible for PPS.

f. On page 5 of his testimony, Mr. Evans states that, "[t]his approach of using Columbia's pooled supplies, and crediting the cost of the PPS and NSS volumes back to the GCA, helps to ensure that management of the PPS and NSS volumes and prices do not have a detrimental impact on the prices of its traditional GCA priced customers." Explain whether management of the PPS and NSS volumes and prices will have any impact on the prices of traditional Gas Cost Adjustment ("GCA") priced customers? Explain the response.

g. On pages 6-7 of his testimony, Mr. Evans discusses Columbia's proposal regarding the filing of the fixed-price changes with the Commission. What filings, if any, does Columbia propose to make regarding the index pricing option?

h. Mr. Evans states on page 7 that it will take 30 days to implement a new fixed price. Explain why 30 days is required to implement the change.

i. On page 15 of his testimony, Mr. Evans states that NSS customers will sign individual contracts. Explain whether Columbia proposes to file these contracts with the Commission.

62. Refer to Exhibit EAE-1. Explain the purpose of the Actual Volumes and Difference columns.

63. Refer to Exhibit EAE-2. Explain why the amount in the column headed Total PGCC Credit of ($7,439,841) does not equal the Total Annual Credit to the GCA of ($3,661,218) in the last line on the page, under the heading Annual Reconciliation.

64. Refer to the proposed tariffs for PPS and NSS.

a. Second Revised Sheet No. 19 states that PPS is available to a customer who is currently under the GS, IN6, or IUS rate. Describe the IN6 rate and state whether there are currently any customers on this rate. If there are customers on this rate, explain why this rate does not appear on the revenue schedules at Tab M of the application.

b. Second Revised Sheet No. 20 of Columbia's proposed PPS tariff describes the offering of a series of fixed prices which vary based on customer consumption patterns. Please explain this consumption-based offering in detail.

c. Second Revised Sheet No. 20 also states that the index price will include the variable index and the amount that will be added to that index to determine the monthly price [emphasis added]. Explain the basis for the amount to be added to the index price and whether it will change monthly.

d. The proposed Gas Cost Uncollectible Rider does not appear in the list of Adjustments and Riders in the PPS tariff. Explain whether Columbia intends for PPS customers to be charged the rider. If not, explain why.

e. Refer to Second Revised Sheet No. 42 of Columbia's proposed NSS tariff. In the AVAILABILITY section, (2)(d), should the text "not specified in *(a)* above" be changed to read "not specified in *(b)* above"?

65. Refer to the response to Item 28 of Commission Staff's First Request. Provide general descriptions of the work performed during the test year by the following entities:

a. C.J. Hughes Construction;

b. Miller Pipeline;

c. Stanley Pipeline;

d. Surveys & Analysis; and

e. Fishel Company.

66. Refer to the response to Item 31 of Staff's First Request. Provide a detailed description of Columbia's wholly owned subsidiary, Central Kentucky Transmission Company.

67. Refer to the response to Item 32 of Staff's First Request. Provide for the four years from 2001 through 2004 the same information included in the response for the years 2005 through 2008.

68. Refer to the response to Item 52 of Staff's First Request, Attachment b. Provide the workpapers, spreadsheets, calculations, etc. showing the derivation of the estimated rate case expense in the amount of $168,000 for consultants.

Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED JUN - 2 2009

cc: All Parties

Lawrence W Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable Stephen B Seiple
Attorney at Law
Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
P.O. Box 117
Columbus, OH 43216-0117

Iris G Skidmore
415 W. Main Street, Suite 2
Frankfort, KY 40601