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

THIRD 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 July 14, 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 the response to Item 6 of Commission Staff's Second Data Request ("Staff's Second Request") which states that Columbia Gas of Ohio ("COH") partially shifted its small general service customers to a straight-fixed variable ("SFV") rate design in December 2008 and that a complete shift will occur in December 2009. Provide COH's customer charge prior to the shift, its SFV-based requested customer charge, and the customer charge ultimately approved for all phases of the SFV shift.

2. Refer to the response to Item 7 of Staff's Second Request and revised Schedule M, page 1 of 2.

a. Provide an electronic version of the complete response with the formulas intact and unprotected.

b. For each rate class on revised Schedule M that shows a different amount of "Revenue Change" in Column D than that shown in the original Schedule M in the application, provide the reasons for the differences.

3. Refer to the response to Item 8 of Staff's Second Request.

a. This response shows that 468 miles of main will be installed over the 30-year program period but that 525 miles will be retired. Explain why Columbia plans to install fewer miles of main than are being retired.

b. Confirm that the cost and feet of mains and services in the response reflect that the average cost per foot to replace mains is $65.56 and the average cost per foot to replace service lines is $23.79. If this is not the case, provide the average cost to replace both and include the calculations thereof.

c. Describe, generally, the reasons for the difference between the cost to replace mains and the cost to replace service lines.

4. Refer to the response to Item 9.b. of Staff's Second Request.

a. Explain whether Columbia experienced a lower level of disconnects due to the change in how it works collection orders as well as a higher level of customers who did not reconnect.

b. Describe the change in the way collection orders are worked and explain how the change would affect the number of reconnections made.

c. Explain why Columbia believes that a higher reconnect fee will not prevent low-income customers from reconnecting gas service.

d. If the response means fewer customers are disconnected due to the change in how Columbia works connection orders, explain whether the 75 percent behavioral factor proposed by Columbia takes this into account.

5. Refer to the response to Items 9.b. and 9.c. of Staff's Second Request.

a. The response to 9.b. states that Columbia does not believe that a $60 reconnection fee will prevent low-income customers from reconnecting service.

The response to 9.c. states that, given the proposed increase to $60, "it is highly unlikely that Columbia would experience a constant activity level when the fee is increased." Explain whether it is Columbia's belief that any change in the activity level resulting from the increased reconnection fee would be attributable to customers other than the low-income customers.

b. Refer to the response to Item 9.c. of Staff's Second Request. Explain whether the proposed 75 percent behavioral factor takes into account the likelihood that customers will not be able to pay their bills due to factors such as overall economic conditions, a higher gas bill due to a rate increase, etc.

6. Refer to the response to Item 9.d. of Staff's Second Request. Provide calculations showing the derivation of the construction overhead for supervision, engineering and administration of $8.71 and the hourly truck rate of $9.60 with any necessary narrative description.

7. Refer to Attachment 2 to the response to Item 9.e. of Staff's Second Request, which shows disconnections requested by customers and reconnections not related to nonpayment. The note for the column "Reconnections not related to non payment" states that the numbers include accounts reconnected for only "seasonal" or "other" reasons, meaning that some of the reconnections are seasonal disconnects/reconnects. From April 2007 through April 2009, the monthly average for reconnects unrelated to nonpayment was between eight and nine. Total reconnects in October and November of both 2007 and 2008 were 97, less than one percent of the reconnects for nonpayment during that 25-month period. Recognizing that seasonal reconnects represent less than these amounts and that some customers request to

disconnect/reconnect for "other" reasons, explain why Columbia believes a higher reconnect fee is necessary to discourage seasonal disconnects/reconnects below their current level.

8. Refer to the response to Item 10.a. of Staff's Second Request which states that the proposed change in the budget plan enrollment would "1) be more convenient for customers by allowing them to sign up for the budget at the same time they are initiating service; 2) make certain all customers are aware of the budget program before they encounter payment problems. . . ." Explain whether or not customers are currently informed of the budget plan during service initiation and allowed to sign up for the budget plan at that time.

9. Refer to the response to Item 10.b. of Staff's Second Request.

a. Explain whether customers will be informed of the amount of their budget payment at the time they initiate service.

b. Explain whether customers initiating service will be asked to sign a document attesting to the fact that they know they are being set up on a specific budget amount per month or, in the alternative, attesting that they have been offered the budget payment plan and have chosen to opt out.

10. Refer to the response to Item 12.b. of Staff's Second Request. While Columbia does not believe that customers would elect to be cut off for nonpayment rather than incur a reconnect fee that is $83 higher, explain why customers in a struggling economy would not pursue the incentive created by the proposed $143.36 reconnect fee of being disconnected for nonpayment although they have the ability to pay.

11. Refer to the response to Item 16 of Staff's Second Request which deals with costs of outside contractors but does not address the costs for employees and administrative services, which were also part of the request. Provide the remainder of the response to the original request.

12. Refer to the response to Item 19 of Staff's Second Request.

a. Refer to revised Attachment Seelye-3.

1) Provide the calculations for the amounts in the column titled "Est Annual Mcf Savings per Participant."

2) Provide a further breakdown of the budgeted Demand Side Management annual program costs of $908,000 shown in the attachment Specifically, show the projected expenses for administration, customer awareness/advertising, and technical program costs.

b. Given the negative net benefit of $222,281 shown for the Low-Income High Efficiency Furnace Rebate Program, explain why Columbia is proposing to implement this program.

13. Refer to Attachment JFR-1 of the response to Item 21 of Staff's Second Request and pages 8-9 of the Prepared Direct Testimony of James F. Racher.

a. The attachment shows that differences for the years 2004 through 2007 between the average balances of gas in storage under the LIFO method used by Columbia and under the 13-month average method it proposes to use for rate-making purposes are generally comparable to the difference for the test year. Explain why Columbia did not make a similar proposal in its prior rate case, Case No, 2007-00008.[1]

b. The testimony indicates the October storage balance was chosen to calculate the average rate and explains that October was chosen because 1) the October balance and volumes are known and measurable and 2) injections are generally complete at the end of October and the average storage rate "should be valued at a peak facility time." Explain 1) whether the balances and volumes of other months are known and measurable and 2) why the average storage rate should be valued at a peak facility time.

c. A review of the balances and volumes in the attachment reflects that the highest average rate, for each of the years 2004 through 2008, occurs in the month of October (September and October 2007 average rates are virtually equal). Irrespective of other considerations, explain why the average rate for purposes of valuing gas in storage should be based on the month which consistently, for five years, provides a higher rate than at any other time of the year.

14. Refer to the responses to Item 22 of the Staff's Second Request and Item 6 of the Office of the Attorney General's ("AG") Initial Request.

a. The first response indicates that Columbia believes it is appropriate to include the costs of post-test-year wage and salary increases in its cost of service, even if those occur 11 months outside test year. Explain whether Columbia agrees with the following statement: The full effects of any post-test-year wage and salary

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

increases that may be included in its cost of service will not be reflected in its actual costs of operation until 12 months after the effective date of said increases; however, the full effects of the increases will be included in the cost of service for ratemaking purposes from the date of a Commission rate Order in the same manner as if the increases had occurred during the test year.

b. The second response indicates Columbia believes its depreciation expense adjustment (based on test-year-end plant) should not be recognized in the accumulated depreciation component of rate base as that would have the effect of reducing its "rate base by an amount not yet funded by the customer." In his request, the AG referenced the "long-standing Commission ratemaking policy" of adjusting accumulated depreciation by the amount of the adjustment to depreciation expense. This Commission has approved this treatment for at least 25 years as evidenced by its Order in Columbia's 1984 rate case, Case No. 9554, in which it increased accumulated depreciation by $84,960 to "reflect the pro forma adjustments to its (Columbia's) test-period depreciation expense.[2] Explain why Columbia's current position on not adjusting accumulated depreciation is not inconsistent with its position on including post-test-year salary and wage increases in the cost of service.

15. Refer to the response to Item 25 of the Staff's Second Request regarding increases in various expense accounts in the test year

a. The partial offsets to the $250,000 increase in Account 870, which is explained as being due to a change in account classification of NiSource Corporate Services ("NC Services") charges, equal $124,000. If a change in account classification

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[2] Case No. 9554, Columbia Gas of Kentucky, Inc. (Ky. PSC Oct. 18, 1984) at 9.

caused the increase, identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

b. The $270,000 increase in Account 878 is explained as being largely due to a $213,000 increase in labor. Provide the amount of the labor component in calendar year 2007 and explain why the increase of $213,000 occurred.

c. The $1.7 million increase in Account 903 is explained as being due to the change in account classification of NC Services. Identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

d. The $480,000 increase in Account 910 is explained as being due to the change in account classification of NC Services. Identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

16. Item 51.a. of Staff's Second Request sought the identities of the other gas companies for which Mr. Spanos considered estimates of net salvage percentages and whether those estimates were developed by him or his firm. The response refers to the response to AG 1-98, which identifies seven depreciation studies for clients. Explain whether Mr. Spanos attempted to obtain estimate data of net salvage percentages from studies other than those performed by him or his firm. If yes, explain why none were included in the response. If no, explain why no attempt was made.

17. Refer to the response to Item 55 of Staff's Second Request and the table on page 5 of the Direct Prepared Testimony of June M. Konold. The Pension Expense estimated for 2009 is more than $1 million more than the average expense for the ten

previous calendar years. The 2009 estimate for Other Post-Employment Benefits ("OPEB") Expense of approximately $792,000, by comparison, is actually less than the average expense for the ten previous years, although it is roughly $200,000 greater than the average for the three years immediately preceding it. Given that the volatility of OPEB Expense is substantially less than that of Pension Expense, explain in detail why Columbia believes that OPEB expense should be included for recovery through the Pension and OPEB mechanism ("Rider POM") it has proposed.

18. Refer to the response to Item 56 of Staff's Second Request and the responses to Items 1.a. and 7.a. of the Staff's first request to Columbia in Case No. 2009-00168.[3]

a. Based on the estimates provided by its independent actuarial firm, Columbia has booked Pension Expense of $345,915 and OPEB Expense of $163,754 for the first four months of 2009. The proposed adjustment shown on Schedule D-2.4 of Columbia's application is based on net pension costs. Explain whether the amounts that have been booked in 2009 are gross costs per books or net costs per books.

b. If the amounts referenced in part a. of this request are gross costs per books for 2009, provide the corresponding net costs per books through April 2009.

c. Provide an update of the amounts Columbia has booked in 2009 through the most recent date for which the information is available and update this response monthly until otherwise directed.

d. Provide the monthly gross costs and net costs per books for Pension Expense and OPEB Expense for the last six months of calendar year 2008.

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[3] Case No. 2009-00168, Columbia Gas of Kentucky, Inc. (Ky. PSC May 28, 2009).

19. Refer to the response to Item 61 of Staff's Second Request.

a. The response to Item 61.d. states that hedges for the Price Protection Service ("PPS") and Negotiated Sales Service ("NSS") will not be recovered through the Gas Cost Adjustment. State how the hedging costs will be recovered.

b. Refer to the response to Item 61.i. Given that 807 KAR 5:011, Section 13, requires contracts containing rates or charges not included in the utility's tariffs to be filed with the Commission, explain why Columbia does not intend to file the individual contracts.

20. Refer to the response to Item 67 of Staff's Second Request and to the Prepared Direct Testimony of Mark P. Balmert and Exhibit MPB-5 to that testimony. The response shows comparative data for uncollectible accounts for the years 2001 through 2008 while the testimony and exhibit thereto address the derivation of the over- or under-recovered uncollectible expense for the years 2004 through 2008.

a. Explain the process through which Columbia develops the current year provision for uncollectible accounts and how the specific amount is derived.

b. The response shows the amounts charged off by year, which range from a low of $1,017,040 in 2002 to a high of $2,386,960 in 2001. It also shows the current year provision as a percent of total revenue, which range from a low of .0255 percent in 2002 to a high of .9959 percent in 2001. Results of Staff's calculation of the amounts charged off as a percent of total revenue are: 2001 – 1.502; 2002 - .887; 2003 – 1.061; 2004 – 1.341; 2005 - .942; 2006 – 1.217; 2007 - .954; 2008 – 1.171. Confirm whether Columbia agrees with these results.

c. The amount referenced in the testimony and shown in MPB-5 as the amount of uncollectible expense under-recovered is $1,426,488, which is the amount calculated for the years 2004 -2008. Sheet 6 of 6 of MPB-5 shows that almost $1,420,000 of this amount occurred in 2004 through 2006 and that, for the years 2007 and 2008, the net under-recovery is only $6,621. Given that the gas commodity cost reflected in the uncollectible expense built into Columbia's base rates was substantially increased in its last base rate case, expand and clarify why Columbia believes that an uncollectible rider is necessary.

21. Columbia Gas of Pennsylvania, Inc. ("CGP") presently operates a pilot PPS program.

a. Describe in detail how the features of that pilot program compare to the PPS program proposed by Columbia. Specifically identify all areas in which it differs from Columbia's proposed PPS.

b. Is there a PPS program or something similar currently approved for any NiSource company other than CGP? If yes, describe in detail how it compares to the PPS program proposed by Columbia.

c. Has any other NiSource company proposed a PPS program that was denied? If yes, explain in detail the basis on which it was denied.

22. The proposed early termination fee of $10 per month not to exceed $60 does not appear in the proposed PPS tariff. Identify the location of this proposed charge in Columbia's proposed tariff.

23. Refer to Second Revised Sheet No. 20 of Columbia's proposed PPS tariff. The first paragraph in the GAS COST section says "In the event the service is

automatically extended . . . the applicable Fixed Price . . . shall be the price posted by the Company as its Fixed Price in the month prior to the first month of the new service term." Explain whether Columbia will provide notice of the new applicable Fixed Price to customers who are extending PPS into a subsequent year.

24. Explain whether Columbia has considered establishing calculations for a "ceiling" and "floor" for the PPS rates similar to the rate parameters approved for CGP.

25. Explain whether Columbia has considered establishing standards of conduct applicable to the PPS service similar to those approved for CGP.

26. Provide a detailed description of CGP's experience with its PPS pilot program. This should include, at minimum: the number of PPS customers per year, per eligible customer class, the percentage they represent of the eligible customers, per year, per eligible customer class since the program's inception; the number of customers in CGP's equivalent of Columbia's Customer Choice Program per year beginning with the year prior to the PPS program's inception; and any regulatory actions or rulings regarding the PPS program since its inception.

27. Explain how Columbia's system line loss will be reflected in the PPS rate.

28. Explain how the costs of offering PPS service, including administrative, operating, bad debt costs, advertising, and billing will be allocated to and charged through the PPS rate.

29. What effect, if any, does Columbia anticipate the proposed PPS program having on its Customer Choice program? Specifically, describe the effect Columbia anticipates the PPS having on competition in the small volume natural gas market.

30. Explain whether Columbia has considered offering PPS service on a pilot basis, limited to a specific number of customers, similar to the CGP pilot.

31. Is there a NSS program or something similar currently approved for any other NiSource company? If yes, describe in detail how it compares to the NSS program proposed by Columbia.

32. Has any other NiSource company proposed a NSS program that was denied? If yes, explain in detail the basis on which it was denied.

33. Provide the number of customers that have contacted Columbia about their desire for a negotiated fixed rate such as NSS. Identify how many are currently sales service customers and how many are transportation service customers.

34. Explain whether Columbia has proposed the NSS service because it has concluded that there are insufficient options for its larger volume customers to obtain gas supply at negotiated rates.

35. Explain whether Columbia has considered establishing rate "ceilings" and "floors" for the NSS service rates.

36. Explain how Columbia's system line loss will be reflected in the NSS rate.

37. Explain how the costs of offering NSS service, including administrative, operating, bad debt costs, advertising, if any, and billing will be allocated to and charged through the NSS rate.

38. Refer to the response to Item 24.b. of the AG's Initial Request which indicates that off system sales revenues and expenses have been eliminated from the test year through the annualization of revenue and gas cost expense on Schedule M-2.2. Schedule M-2.2 normalizes revenues and gas cost expense for Columbia's

customer rate classes. Explain how the annualization of revenues and gas costs related to base rates eliminates off system sales revenues and expenses.

39. Refer to the response to Item 37.b. of the AG's Initial Request and Schedule M-2.3 in Volume 6 of 8 of Columbia' application. Explain why $1,063,315 (the total of the gas cost uncollectible charge revenue amounts included in Schedule M-2.3) is not considered the uncollectible expense associated with the commodity cost of gas.

40. Refer to the response to Item 60 of the AG's Initial Request and Schedule C-2.1 in Columbia's application.

a. This response describes errors in Schedule D-2.1, page 5 of 6. Provide a corrected Schedule D-2.1, page 5 of 6.

b. Confirm whether or not the amount of uncollectible expense for which Columbia is seeking recovery is $1,886,450 ($2,451,089 from Schedule C-2.1, page 2 of 2, minus the $564,639 identified in paragraph (3) of the response). If not, provide the amount being requested along with its derivation and a description thereof.

41. Refer to the response to Item 108 of the AG's first request. The industry statistics provided as support for the amortization periods included in Mr. Spanos's depreciation study are for 12 clients. Explain whether Mr. Spanos attempted to obtain amortization statistics from studies other than those of his firm's clients. If yes, explain why none were included in the response. If no, explain why no attempt was made.

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