

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC. TO EXTEND ITS GAS COST)	CASE NO.
ADJUSTMENT PERFORMANCE BASED RATE)	2017-00453
MECHANISM)	

ORDER

On November 12, 2019, Columbia Gas of Kentucky, Inc. (Columbia Kentucky), filed a motion for reconsideration and rehearing (Motion) requesting the Commission to reconsider its October 22, 2019 final Order and to grant rehearing pursuant to KRS 278.400.¹ In the Motion, Columbia Kentucky asks the Commission to fully consider the efforts that it has undertaken to actively pursue creative gas purchasing measures to the benefit of its customers.²

BACKGROUND

On November 30, 2017, Columbia Kentucky filed an application to extend its Performance-Based Rate (PBR) mechanism for an additional five years, from March 31, 2018, through March 31, 2023.³ Commission Staff issued one discovery request to Columbia Kentucky. On March 27, 2018, the Commission issued an interim Order authorizing Columbia Kentucky to continue the use of its current PBR mechanism until a

¹ Columbia Kentucky's Motion (filed Nov. 12, 2019) at 1.

² *Id.*

³ Application at 2.

final Order was issued by the Commission. In the October 22, 2019 final Order, the Commission modified Columbia Kentucky's PBR mechanism and only approved it through March 31, 2021.⁴ The Commission further stated that in future PBR cases, the Commission would evaluate PBR mechanisms for reasonableness and potentially realign and modify the PBR mechanisms for all Kentucky Local Distribution Companies, or terminate the PBR mechanisms entirely.⁵ The Commission found that in its next PBR case, Columbia Kentucky should file testimony and any supporting documentation to assist the Commission in determining whether Columbia Kentucky's PBR should be continued, modified, or terminated.⁶

DISCUSSION AND FINDINGS

Columbia Kentucky requests reconsideration and rehearing because Columbia Kentucky "believes it has not had an adequate opportunity to explain that it has consistently and aggressively negotiated its discounted transportation rates."⁷ Columbia Kentucky states that if it had been aware that the Commission was concerned with the transportation rates associated with the PBR mechanism, then it could have provided additional information to alleviate the Commission's concerns.⁸ Columbia Kentucky continues by stating that the existing discounted transportation rates were negotiated in

⁴ Case No. 2017-00453, *Application of Columbia Gas of Kentucky, Inc. to Extend its Gas Cost Adjustment Performance Based Rate Mechanism* (Ky. PSC Oct. 22, 2019) at 1.

⁵ *Id.* at 3

⁶ *Id.*

⁷ Columbia Kentucky's Motion at 2.

⁸ *Id.* at 3.

a market environment significantly different than what exists today and what can be expected moving forward.⁹ Columbia Kentucky asserts that one of the primary differences is the discovery and development of significant production volumes from the Marcellus and Utica Shales.¹⁰ Columbia Kentucky asserts that prior to these discoveries, the primary source of natural gas supplies delivered into Columbia Transmission were delivered via Columbia Gulf from resources in the Gulf Coast region.¹¹ However, currently, the flow of gas on Columbia Gulf has reversed, and natural gas now flows from the Appalachian region to the Gulf Coast,¹² and the primary holders of capacity on Columbia Gulf as well as potential competitors, Texas Eastern and Tennessee pipelines are natural gas producers.¹³ Columbia Kentucky argues that this has caused the competitive environment to move significantly.¹⁴

Columbia Kentucky further contends that coincident with the development of the Marcellus and Utica Shales, Columbia Gas Transmission implemented a modernization effort on its system, which is now in its second phase.¹⁵ Columbia Kentucky states that the Modernization Program was an agreement between Columbia Transmission and its customers through an extensive settlement process in which Columbia Kentucky actively

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² *Id.*

¹³ *Id.* at 5.

¹⁴ *Id.*

¹⁵ *Id.* at 3–4.

participated.¹⁶ Through the modernization settlement, a rider mechanism known as the Capital Cost Recovery Mechanism (CCRM) was established for Columbia Transmission to recover its investments and applied to most firm transportation service and storage service transportation contracts.¹⁷ However, through negotiations, Columbia Kentucky won the ability for the CCRM not to be applied to Columbia Kentucky's discounted transportation rate.¹⁸ Columbia Kentucky argues that this achievement has provided significant incremental value to its customers by avoiding the costs of the CCRM, yet receiving the benefits of the modernization program.¹⁹

Finally, with regard to specific modifications to the PBR mechanism, Columbia Kentucky argues that it is "unclear both as to what percentage gross-up factor is referred to and how the tariff will be benchmarked."²⁰ Columbia Kentucky asserts that it has filed a motion for an informal conference to obtain clarification upon this issue.²¹

Having reviewed the evidence of record and being otherwise sufficiently advised, the Commission finds that rehearing should be granted in order to further evaluate the reasonableness of the transportation benchmark within the larger context of Columbia Kentucky's PBR mechanism and to allow Columbia Kentucky an opportunity to submit testimony addressing the reasonableness of the same.

¹⁶ *Id.* at 4.

¹⁷ *Id.*

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ *Id.* at 6.

²¹ *Id.*

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky's Motion is granted.
2. The Commission's October 22, 2019 final Order remains in full force and effect.
3. The procedural schedule set forth in the Appendix to this Order shall be followed in this case.
4.
 - a. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed and shall include the name of the witness who will be responsible for responding to questions related to the information provided, with the original and ten copies of the following information, with a copy to all parties of record.
 - b. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or an association or a governmental agency, be accompanied by a signed certification of the preparer or 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.
 - c. A party 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.
 - d. For any request to which a party fails or refuses to furnish all or part of the requested information that party shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

e. Careful attention should 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.

f. Any party filing a paper containing personal information shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that the personal information cannot be read.

5. Columbia Kentucky shall give notice of any hearing in accordance with the provisions set out in 807 KAR 5:001, Section 9(2)(b). In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time publication is requested, Columbia Kentucky shall forward a duplicate of the notice and request to the Commission.

6. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), the official record of any hearing shall be by video only.

7. At any public hearing in this matter, neither opening statements nor summarization of direct testimonies shall be permitted.

8. Motions for extensions of time with respect to the schedule herein shall be made in writing and will be granted only upon a showing of good cause.

9. Nothing contained herein shall prevent the Commission from entering further Orders in this matter.

By the Commission

ENTERED
DEC 02 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00453 DATED **DEC 02 2019**

Columbia Kentucky shall file testimony, if any, in verified prepared form no later than.....01/03/20

All initial requests for information to Columbia Kentucky shall be filed no later than.....01/17/20

Columbia Kentucky shall file responses to requests for information no later than.....01/31/20

All supplemental requests for information to Columbia Kentucky shall be filed no later than.....02/14/20

Columbia Kentucky shall file responses to supplemental requests for information no later than.....02/28/20

Columbia Kentucky shall request a hearing or file a statement that this case may be submitted for a decision based on the existing record no later than.....03/06/20

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