COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S FIRST REHEARING REQUEST FOR INFORMATION TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. (Columbia Kentucky), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 31, 2020. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed.

Each response shall include the name of the witness responsible for responding to the 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 Kentucky 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 Kentucky 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. When filing a paper containing personal information, Columbia Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the Direct Testimony of Michael D. Anderson (Anderson Testimony), page 4, lines 16-20.

a. Explain how often Columbia Kentucky generally negotiates its capacity contracts.

b. Explain how often Columbia Kentucky has negotiated its capacity contracts since the beginning of 2015.

c. Explain in detail the capacity contract negotiation process for Columbia Kentucky.

2. Refer to the Anderson Testimony, page 6, lines 14–15. Explain in detail how Columbia Kentucky is able to negotiate a consistent discounted rate despite an increasing Federal Energy Regulatory Commission (FERC) rate.

3. Refer to the Anderson Testimony, pages 7–8.

a. Explain in detail how Columbia Kentucky was able to negotiate with Columbia Gas Transmission Corporation (TCO) to not be subject to the Capital Cost Recovery Mechanism (CCRM) rider. Provide documentation where applicable.

b. Explain whether Columbia Kentucky is aware of any other utility served by TCO, including large local distribution company (LDC) affiliates, that is not subject to the CCRM rider.

c. Explain in detail any incremental risk and effort undertaken by Columbia Kentucky with regard to negotiating contract rates, over and above those already undertaken beginning in 2012, following the Commission's approval of the TCI in Case No. 2014-00350. [1]

4. Refer to the Anderson Testimony, page 8, lines 1–11.

a. Explain whether Columbia Kentucky believes that the benchmark rate should still include the CCRM rider billed by TCO if it is not a component of Columbia Kentucky's Storage Service Transportation (SST) contract with TCO.

b. Provide the date that FERC approved the CCRM rider.

c. Explain if any negotiations regarding the CCRM rider and Columbia Kentucky's SST capacity contracts have occurred after FERC's approval of the rider.

5. Refer to the Anderson Testimony, pages 8–9. Provide a timeline of when the interstate pipeline systems changed the flow direction of natural gas.

6. Refer to the Anderson Testimony, pages 9–10, and the Direct Testimony of Judy M. Cooper (Cooper Testimony), pages 7–10, regarding Columbia Kentucky's

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[1] *See* Case No. 2014-00350, *Application of Columbia Gas if Kentucky, Inc. to Consolidate and Convert Its Gas Cost Incentive Mechanism and Its Off-System Sales and Capacity Release Revenue Sharing Mechanism Into a Performance-Based Rate Mechanism* (Ky. PSC Mar. 27, 2015).

recommendation for how the Transportation Cost Index (TCI) benchmark should be set. Provide an electronic version detailing Columbia Kentucky's recommended benchmark rate set against the Total Actual Transportation Cost beginning with the flow month for February 2014 to the present in Excel spreadsheet format with all formulas intact and unprotected, and with all columns and rows accessible.[2]

7. Refer to the Cooper Testimony, page 4, lines 19–20. Explain in detail the incremental risk taken by Columbia Kentucky due to the Performance-Based Rate (PBR) mechanism.

8. Refer to the Cooper Testimony, page 5, lines 7–8, in which Ms. Cooper states that more than fifteen years ago, following a period of significant cost increases in natural gas and concern as to the reliability of supply, the Commission undertook a comprehensive review of the natural gas procurement practices of LDCs subject to its jurisdiction.

a. Explain whether, and if so how, the concerns for the cost of natural gas and reliability of supply still hold true in the present time.

b. Compare and contrast the cost of natural gas and the reliability of supply from "more than fifteen years ago" to the present time.

9. Refer to the Cooper Testimony, page 5, lines 9–14, regarding the natural gas procurement practices. Also, refer to Columbia Kentucky's responses to Commission Staff's requests for information regarding Columbia Kentucky's gas procurement methodology (Staff's gas procurement methodology request) included in its Gas Cost

[2] For an example, refer to the monthly performance based rate calculation, TCI calculation sheets included in Columbia Kentucky's proposed GCA report in Case No. 2019-00139, *Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc.* (filed May 1, 2019).

Adjustment (GCA) report in Case No. 2018-00253.[3] Provide any update available of the natural gas procurement practices of Columbia Kentucky as requested below.

a. Provide copies of all interstate pipeline transportation and storage contracts and tariffs utilized during the most recent year. Further, provide a comparison of the terms of these transportation arrangements with those that have been utilized since Staff's gas procurement methodology request. Provide an explanation of all efforts to ensure that interstate pipeline transportation costs were and remain at the lowest possible cost.

b. Provide any updated copies of all current contracts for commodity supply, updated to reflect any changes made subsequent to Staff's request regarding gas procurement methodology. Provide a comparison of the terms of these commodity supply arrangements with those that were utilized during the five previous calendar years. Provide an explanation of all efforts to ensure that commodity gas supply costs were and remain at the lowest possible cost, consistent with security of supply.

c. Provide updated gas supply and capacity contract summaries showing significant contract terms, daily/monthly/annual entitlements, and pricing. Identify any capacity changes (renegotiated and expired agreements, de-contracting, assignment, or long-term release) since Staff's gas procurement methodology request.

d. Provide an update of Columbia Kentucky's storage arrangements, and state the maximum daily injection and withdrawal rates and the decline in deliverability that occurs as gas is withdrawn, updated to reflect any changes occurring subsequent to Staff's request regarding gas procurement methodology..

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[3] Columbia Kentucky's responses to Commission Staff's requests for information in Case No. 2018-00253, *Electronic Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc.* (filed July 30, 2018).

e. Provide an update of the capacity of any peaking arrangements made since Staff's gas procurement methodology request.

f. Provide an updated copy of any written procedures in use by Columbia Kentucky for nominations and dispatching since Staff's gas procurement methodology request.

g. If Columbia Kentucky has utilized gas marketing/trading organizations to obtain gas supplies subsequent to Staff's gas procurement methodology request, indicate which organizations were employed, gas volumes purchased, prices, terms, and current contractual arrangements between Columbia Kentucky and these marketing firms.

h. Provide a summary of the Request for Proposal/bidding process for gas supply since Staff's gas procurement methodology request that provides the original bid documents, a listing of the suppliers that were contacted, the responses to the request for bid, the evaluation process that led to the selection of a supplier, and any written procedures that exist for this activity.

i. Provide an updated copy of Columbia Kentucky's most recent gas supply plan and a written description of its gas supply planning process since Staff's gas procurement methodology request.

j. Provide an updated narrative description of any supply-planning computer models currently being used by Columbia Kentucky or being considered for future use since Staff's gas procurement methodology request.

k. Provide updated organization charts of the overall corporate organization and of the gas planning, gas purchasing, and gas operations functions subsequent to Staff's gas procurement methodology request. Describe any changes that have occurred in the corporate, gas planning and purchasing, and gas operations organizations since Staff's gas procurement methodology request, and any changes that are underway or contemplated within the next five years.

l. Provide job descriptions of the personnel working in the gas planning, gas purchasing, and gas operating functions.

m. Provide updated copies of reports or internal audits or reviews of any aspect of the supply function conducted since Staff's gas procurement methodology request. Include reports prepared by Columbia Kentucky and outside auditors.

n. Provide an updated copy of Columbia Kentucky's strategic plan with primary emphasis on gas procurement, transmission, delivery, and expansion, including all significant related capital expenditures since Staff's gas procurement methodology request.

10. Refer to the Cooper Testimony, page 6, lines 2–6, in which Ms. Cooper states that in 2001, the Commission encouraged LDCs to consider innovative approaches, such as PBRs, as a means of improving gas procurement performance to mitigate higher gas prices, price volatility, and lessen the impact on customers while ensuring that LDCs are able to recover all reasonable levels of gas costs.

a. Explain in detail whether the concern in 2001 for the higher cost of natural gas and price volatility still holds true in the present time.

b. Compare and contrast the price volatility of natural gas from when the Commission encouraged LDCs to consider means to improving gas procurement performance in 2001 to the present time.

c. Explain in detail whether Columbia Kentucky believes a PBR is still necessary in the current low cost natural gas environment.

11. Refer to the Cooper Testimony, page 6, lines 9–13, in which Columbia Kentucky states that Atmos Energy and Louisville Gas and Electric Company also have PBRs for gas cost incentives. Explain whether Columbia Kentucky is aware of any other natural gas utility in the state of Kentucky that has an approved PBR mechanism.

12. Refer to the Cooper Testimony, page 6, lines 13–17. Explain in detail, Columbia Kentucky's gas cost incentive mechanism prior to the Commission's final Order approving Columbia Kentucky's PBR Mechanism in Case No. 2014-00350[4].

13. Refer to the Cooper Testimony, page 7, line 15 through page 8, line 13. Explain whether Columbia Kentucky's position is that benchmarks for transportation costs should never be revised or reestablished. If not, explain how often Columbia Kentucky believes that benchmarks for transportation costs should be reevaluated.

14. Refer to the Cooper Testimony, page 7, lines 17–18, regarding the change to Columbia Kentucky's Transmission benchmark.

a. Explain whether Columbia Kentucky is stating that based upon the modifications made in the Commission's October 22, 2019 final Order,[5] it will stop seeking transportation cost savings.

b. State whether Columbia Kentucky would alter its efforts to negotiate discounted transportation contracts if Columbia Kentucky's PBR mechanism was discontinued.

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[4] *See* Case No. 2014-00350, *Gas Cost Incentive and Off-System Sales and Capacity Release Revenue Sharing Mechanisms into Performance-Based Rate Mechanism* (KY. PSC Mar. 27, 2015).

[5] Commission's final Order issued October 22, 2019.

c. Explain whether Columbia Kentucky seeks to purchase the lowest cost natural gas to provide to its customers regardless of whether it has a PBR mechanism or not.

15. Refer to the Cooper Testimony, page 8, lines 4–6.

a. Provide an example of how the modifications made to Columbia Kentucky's PBR mechanism would create new risk.

b. Confirm that any portion of Columbia Kentucky's transportation costs above the reset benchmark would be shared with customers in the same manner that amounts below the benchmark are shared.

16. Refer to the Cooper Testimony, pages 9–10, and the October 22, 2019 Order in this proceeding, page 2.

a. Explain whether the gross-up factor would be symmetrical (i.e., reductions in the FERC approved rates result in a negative factor).

b. Explain why it is appropriate to base Columbia Kentucky's gross-up factor on the FERC-approved Columbia Transmission tariff rate in effect when Columbia Kentucky's PBR was first approved in 2014 given that the October 22, 2019 Order states that, "A percentage gross-up factor will be applied to Columbia Kentucky's Transportation Cost benchmark according to *any future changes* in Columbia Transmission's FERC tariff rate *going forward*" (emphasis added).

17. Provide the administrative costs and any additional cost incurred by Columbia Kentucky due to the existence of its PBR mechanism on a yearly basis.

18. State whether any NiSource affiliate LDC now operates, or has ever operated, under a gas procurement PBR mechanism. If so, provide details of the mechanism.

19. Provide a detailed list of any other states that have approved natural gas procurement PBR mechanisms. Further, explain how Columbia Kentucky's PBR mechanism compares to active mechanisms in the other states. For any discontinued mechanisms, provide any available details regarding their discontinuance.

20. Provide a cost benefit analysis of the costs associated with Columbia Kentucky's negotiation of the discounted rate and the savings created from the PBR for ratepayers.

21. Provide the costs incurred to achieve savings under Columbia Kentucky's PBR, and explain how those costs are recovered (i.e., through the GCA, netted against savings in the PBR, etc.).

22. Refer to the application generally.

a. Provide all instances since the inception of Columbia Kentucky's PBR mechanism in which Columbia Kentucky has paid more than the FERC-approved transportation rate for that service.

b. If Columbia Kentucky has not paid more than the FERC-approved transportation rate for that service, explain if it is possible for an LDC to be charged more than the FERC approved rate for transportation.

23. Explain what costs Columbia Kentucky provides to the Energy Information Administration (EIA), and at what intervals Columbia Kentucky provides information to EIA.

Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JAN 16 2020

cc: Parties of Record

*Brooke E Wancheck
Assistant General Counsel
Columbia Gas of Kentucky, Inc.
290 W. Nationwide Blvd.
Columbus, OHIO 43215

*Columbia Gas of Kentucky, Inc.
290 W Nationwide Blvd
Columbus, OH 43215