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February 5, 2018

HAND DELIVERED

Gwen R. Pinson
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

RECEIVED
FEB 05 2018
PUBLIC SERVICE
COMMISSION

RE: **KY PSC Case No. 2017-00453**

Dear Ms. Pinson,

Enclosed please find the original and ten (10) copies of Columbia Gas of Kentucky Inc.'s Responses to Commission Staff's First Information Requests dated January 25, 2018 in the above captioned matter.

Sincerely,

A handwritten signature in blue ink that reads 'Brooke E. Wanchek (gmc)'. The signature is written in a cursive style.

Brooke E. Wanchek
Assistant General Counsel

Enclosure(s)

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED JANUARY 25, 2018

1. Refer to the annual Performance Based Rate ("PBR") reports filed in the record of Case No. 2014-00350¹ on May 13, 2016 and May 1, 2017.

a. To the extent the data is in Excel spreadsheet format, provide the spreadsheets with all formulas intact and unprotected and all rows and columns accessible.

b. Provide summary annual information showing individually the total PBR savings resulting from the Gas Cost Incentive ("GCI"), the Transportation Cost Incentive ("TCI"), and the Off-system Sales Incentive ("OSSI"), as well as the annual sharing portions of Columbia and its customers respectively.

RESPONSE:

- a. Please see the attached Excel files using the naming convention "Case No. 2017-00453 Staff 1-1 – *Month 201X.*"
- b. Please see Attachments A and B for the summary annual PBR information.

<u>Month</u>	<u>Gas Cost</u>	<u>Transportation Cost</u>	<u>Off-System Sales</u>	<u>Company Performance Share</u>	<u>Gas Cost</u>	<u>Transportation Cost</u>	<u>Off-System Sales</u>	<u>Customer Share</u>	<u>Total Performance Results</u>
April 2015	70,965.84	202,983.63	780.75	274,730.22	82,282.54	235,352.79	905.25	318,540.58	593,270.80
May 2015	9,883.38	189,674.61	9,441.59	208,999.58	12,067.56	231,591.76	11,528.13	255,187.45	464,187.03
June 2015	50,094.22	197,184.31	5,591.59	252,870.12	56,927.53	224,082.06	6,354.33	287,363.92	540,234.04
July 2015	15,173.24	202,378.44	5,435.32	222,987.00	16,411.03	218,887.93	5,878.71	241,177.67	464,164.67
August 2015	50,507.61	201,967.81	26,192.96	278,668.38	54,841.64	219,298.56	28,440.56	302,580.76	581,249.14
September 2015	53,504.33	199,160.04	26,354.21	279,018.58	59,668.86	222,106.33	29,390.61	311,165.80	590,184.38
October 2015	46,937.33	297,603.25	29,157.02	373,697.60	50,438.88	319,804.56	31,332.14	401,575.58	775,273.18
November 2015	(4,177.41)	295,654.41	57,439.86	348,916.86	(4,411.10)	312,193.50	60,653.07	368,435.47	717,352.33
December 2015	(3,670.22)	291,644.45	41,588.80	329,563.03	(3,879.22)	308,251.75	43,957.01	348,329.54	677,892.57
January 2016	852.71	293,020.37	60,044.22	353,917.30	893.03	306,875.83	62,883.42	370,652.28	724,569.58
February 2016	(5,388.04)	326,839.95	46,998.93	368,450.84	(5,684.82)	344,842.57	49,587.68	388,745.43	757,196.27
March 2016	155.56	327,388.40	25,066.78	352,610.74	163.58	344,287.87	26,360.71	370,812.16	723,422.90
Total	284,838.55	3,025,499.67	334,092.03	3,644,430.25	319,719.51	3,287,575.51	357,271.62	3,964,566.64	7,608,996.89

<u>Month</u>	<u>Gas Cost</u>	<u>Transportation Cost</u>	<u>Off-System Sales</u>	<u>Company Performance Share</u>	<u>Gas Cost</u>	<u>Transportation Cost</u>	<u>Off-System Sales</u>	<u>Customer Share</u>	<u>Total Performance Results</u>
February 2016	(13.45)	182.64	25.53	194.72	(7.99)	(182.64)	(27.04)	(217.67)	(22.95)
March 2016	0.07	139.66	12.56	152.29	(0.08)	(189.64)	(12.56)	(202.28)	(49.99)
April 2016	48,593.52	214,637.53	46,243.56	309,474.61	51,467.02	227,329.78	48,978.09	327,774.89	637,249.50
May 2016	58,204.20	200,511.17	42,364.04	301,079.41	63,193.55	217,699.28	45,995.54	326,888.37	627,967.78
June 2016	(22,183.33)	194,803.64	49,442.68	222,062.99	(25,440.50)	223,406.58	56,702.34	254,668.42	476,731.41
July 2016	29,199.92	190,700.97	46,482.87	266,383.76	34,836.01	227,509.49	55,454.86	317,800.36	584,184.12
August 2016	43,859.34	191,597.77	47,298.53	282,755.64	51,874.72	226,612.68	55,942.44	334,429.84	617,185.48
September 2016	(5,604.88)	190,926.99	44,360.10	229,682.21	(6,672.17)	227,283.46	52,807.18	273,418.47	503,100.68
October 2016	3,793.86	299,093.80	45,864.61	348,752.27	4,081.54	321,774.05	49,342.52	375,198.11	723,950.38
November 2016	(10,907.01)	302,035.74	58,987.26	350,115.99	(11,513.55)	318,832.10	62,267.56	369,586.11	719,702.10
December 2016	24,833.39	291,504.11	37,512.89	353,850.39	27,042.56	317,436.26	40,850.03	385,328.85	739,179.24
January 2017	(13,801.05)	292,294.63	30,048.14	308,541.72	(14,951.10)	316,651.71	32,552.06	334,252.67	642,794.39
February 2017	-	327,437.47	16,787.17	344,224.64	-	343,485.84	17,609.94	361,095.78	705,320.42
March 2017	-	328,696.30	9,536.57	338,232.87	-	344,747.01	10,002.25	354,749.26	692,982.13
Total	155,974.58	3,024,562.42	474,966.51	3,655,503.51	173,910.01	3,312,395.96	528,465.21	4,014,771.18	7,670,274.69

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2. Refer to the application, page 2, paragraph (d), which states that the PBR mechanism provides greater gas cost savings than would be realized absent the incentive mechanism, State whether the mechanism as approved in Case No. 2014-00350 results in greater gas cost savings than the previously approved mechanism.

RESPONSE:

A review of gas cost savings under both mechanisms indicates that on the whole, gas cost savings to customers are consistent and very comparable.

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3. Refer to the application, page 3, paragraph (f). Provide a discussion of the creative supply arrangements that have been pursued and developed since the 2015 approval of the revised PBR mechanism, and how they resulted in greater gas cost savings. The discussion should specifically include the efforts for which the GCI, TCI and OSSI have provided incentive s resulting in great savings compared with savings previously realized through the PBR.

RESPONSE:

GCI

The company has worked very hard to maximize cost savings under the revised PBR mechanism. Due to structural changes implemented as a result of the mechanism approved in Case No. 2014-00350. the company has modified it's purchasing strategy by entering into 5 month winter term purchase agreements, versus 3 month winter term purchase agreements utilized prior to the approval of the current incentive mechanism. Additionally, inclusion of weekly and daily gas indices into the GCI mechanism has placed a greater liability on the

Company to purchase gas supplies throughout the year in an attempt to increase GCI cost savings within the new program guidelines. While GCI specific cost savings have reduced slightly under the new program the benefits to customers cannot be deemed as smaller because the factors utilized in the prior and current programs are different and there is no viable means of direct comparison.

OSSI

The company continues to aggressively pursue off system sales opportunities. The value of off system sales can fluctuate dramatically based on factors including, but not limited to, weather, customer and market demand and the summer to winter spreads based on the natural gas NYMEX strip. As the summer to winter spread values increase the company uses its storage capacity to optimize and capture that value. However those spread values can increase and decrease and there can be significant differences in value from one year to the next. For the three years prior to implementation of the current incentive plan the average closing price of natural gas on the NYMEX was \$3.61 per Dth. Since implementation of the new plan that average price has been \$2.72 per Dth. These lower prices also represent lower price volatility which factor into the availability and amount of Off-System Sales ("OSS"). While overall OSS levels are down the number of transactions entered into by the Company have not changed

significantly while our customers have significantly benefited by the lower market prices as represented by the lower NYMEX closing prices.

TCI

The company also continues to have an aggressive focus on negotiating the best possible pipeline discounts for the TCI portion of the mechanism. As pipeline maximum tariff rates continue to increase, the negotiated discounted demand rates are producing higher gas cost savings. This demand savings, coupled with the company's aggressive capacity release efforts, has benefited the TCI portion of the new incentive mechanism and has shown an increase to gas cost savings for our customers compared to the previous mechanism.