

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on May 27, 2020 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on May 27, 2020 in this proceeding;
- A written log listing, inter alia, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on May 27, 2020.

A copy of this Notice, the certification of the digital video record, and hearing log have been served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at <https://youtu.be/frYEudwmPqo>.

Parties wishing an annotated digital video recording may submit a written request by electronic mail to pscfilings@ky.gov. A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 16th day of July 2020.



Kent A. Chandler
Acting Executive Director
Public Service Commission of Kentucky

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CERTIFICATION

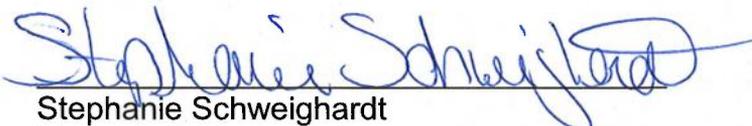
I, Candace H. Sacre, hereby certify that:

1. The attached DVD contains a digital recording of the Formal Hearing conducted in the above-styled proceeding on May 27, 2020. The Formal Hearing Log, Exhibit List, and Exhibits are included with the recording on May 27, 2020;
2. I am responsible for the preparation of the digital recording;
3. The digital recording accurately and correctly depicts the Formal Hearing of May 27, 2020; and
4. The Formal Hearing Log attached to this Certificate accurately and correctly states the events that occurred at the Formal Hearing of May 27, 2020, and the time at which each occurred.

Signed this 9th day of July, 2020.



Candace H. Sacre
Administrative Specialist III



Stephanie Schweighardt
Notary Public State at Large
Commission Expires: January 14, 2023
ID#: 614400



Session Report - Detail

2017-00453 27May2020

Columbia Gas of Kentucky, Inc.
(Columbia Kentucky)

Date:	Type:	Location:	Department:
5/27/2020	Public Hearing\Public Comments	Hearing Room 1	Hearing Room 1 (HR 1)

Witness: Michael D. Anderson; Judy M. Cooper
 Judge: Robert Cicero; Talina Mathews
 Clerk: Candace Sacre

Event Time	Log Event	
9:00:05 AM	Session Started	
9:00:35 AM	Vice Chairman Cicero Note: Sacre, Candace	Good morning. We are on the record in Case No. 2017-00453, Electronic Application of Columbia Gas of Kentucky, Inc., to Extend its Gas Cost Adjustment Performance-Based Rate Mechanism.
9:00:51 AM	Vice Chairman Cicero Note: Sacre, Candace	My name is Robert Cicero. I'm Vice Chairman of the Public Service Commission. With me by videoconference is Commissioner Dr. Talina Mathews, and the Chairman will be joining us sporadically and also will participate in this case in making a decision.
9:01:07 AM	Vice Chairman Cicero Note: Sacre, Candace	At this time, I would normally caution attendees to please set your cell phones to silent mode or turn them off. Due to the current state of emergency in Kentucky, the Commission is hosting this hearing via videoconferencing. (Click on link for further comments.)
9:02:53 AM	Vice Chairman Cicero Note: Sacre, Candace	The hearing today is for the purpose of taking evidence on Columbia Kentucky's Motion for Reconsideration and Rehearing of the Commission's Final Order issued on October 22nd, 2019.
9:03:04 AM	Vice Chairman Cicero Note: Sacre, Candace	So, at this time, we'll have entry of appearance of counsel, and, given the unique challenges of conducting a video hearing, I will also request that each party's counsel also identify their witnesses at this time.
9:03:17 AM	Vice Chairman Cicero Note: Sacre, Candace	So, for the Applicant?
9:03:20 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Good morning, this is Brooke Wancheck on behalf of Columbia Gas of Kentucky. Address is 240 West Nationwide Boulevard, Columbus, Ohio 43215, and, today, as witnesses, we have Mr. Mike Anderson and Ms. Judy Cooper.
9:03:36 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you, and for Staff?
9:03:41 AM	Gen Counsel Pinney PSC Note: Sacre, Candace	JEB Pinney with the Office of General Counsel.
9:03:43 AM	Vice Chairman Cicero Note: Sacre, Candace	And?
9:03:53 AM	Staff Atty Goad PSC Note: Sacre, Candace	Angela Goad with the Office of General Counsel.
9:03:56 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you. Do you have any witnesses?

9:03:59 AM	Staff Atty Goad PSC Note: Sacre, Candace	No witnesses.
9:04:01 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you, so I've been advised that public notice has been given and filed into the record. Is that correct, Ms. Wancheck?
9:04:10 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Your Honor, we have filed public notice. The request for the publication was filed on May 6th of 2020, and we are awaiting the tear sheets from the newspapers for the actual proof of publication which we will file as soon as that is available to us.
9:04:31 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay, thank you. Are there any other motions? I know there's a couple of confidentiality motions that will be ruled on, but, at this time, I don't think that should be an issue.
9:04:42 AM	Vice Chairman Cicero Note: Sacre, Candace	Public comment, should anyone from the public like to provide the Commission with public comment, instructions to call in are located on our website, psc.ky.gov. (Click on link for further comments.)
9:05:22 AM	Vice Chairman Cicero Note: Sacre, Candace	So do we know if we have anybody that has decided to call in? (Click on link for further comments.)
9:05:59 AM	Gen Counsel Pinney PSC Note: Sacre, Candace	This is JEB Pinney with the Public Service Commission. Is there anybody on line?
9:06:06 AM	Vice Chairman Cicero Note: Sacre, Candace	No, okay, so we can move forward. Ms. Wancheck, you can call your first witness.
9:06:13 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Thank you. Mr. Mike Anderson will be our first witness.
9:06:25 AM	Vice Chairman Cicero Note: Sacre, Candace	Witness is sworn.
9:06:34 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you. Ms. Wancheck, you can proceed.
9:06:38 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Thank you.
9:06:41 AM	Atty Wancheck Columbia Kentucky - witness Anderson Note: Sacre, Candace	Direct Examination. Mr. Anderson, can you please state your name and title for the record?
9:07:02 AM	Atty Wancheck Columbia Kentucky - witness Anderson Note: Sacre, Candace	And did you cause testimony to be filed on your behalf on January 3rd of 2020 in this matter?
9:07:12 AM	Atty Wancheck Columbia Kentucky - witness Anderson Note: Sacre, Candace	Have you had an opportunity to review that testimony?
9:07:20 AM	Atty Wancheck Columbia Kentucky - witness Anderson Note: Sacre, Candace	Do you have any changes to your testimony?
9:07:27 AM	Atty Wancheck Columbia Kentucky - witness Anderson Note: Sacre, Candace	If, today, I were to ask you the same questions contained in your testimony, would your answers be the same?
9:07:38 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Mr. Vice Chairman, the witness is available for cross examination.
9:07:41 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you. Ms. Goad, would you like to ask?
9:07:46 AM	Staff Atty Goad PSC Note: Sacre, Candace	I would.

9:07:48 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Cross Examination. Good morning, Mr. Anderson. In your prefiled testimony, you discussed three components of Columbia's Performance-Based Rate mechanism, is that correct?

9:08:05 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And the first component that you discuss is a monthly Gas Cost Incentive or a GCI. Can you explain what this component entails?

9:08:48 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and then, if there are savings as you were alluding to that are generated by Columbia, is that shared between Columbia and the customers?

9:09:32 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And would it be accurate to state that, if the monthly savings are between zero and two percent, then it's shared 70 percent for customers and 30 percent for the company?

9:09:56 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Right, and then the savings over two percent is shared 50/50 between the customers and the company, correct?

9:10:04 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and the second component that you discuss in your testimony is the Off-System Sales Incentive mechanism or the OSSI. Can you please explain your understanding of that component?

9:11:54 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and is it accurate to state that the net revenues generated by Columbia from these off system sales are shared under that same two-tiered structure that we already discussed?

9:12:07 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and then the third component is the Transportation Cost Index. Can you explain what this component entails?

9:12:57 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and the Commission's October, 22nd, 2019 Final Order made modifications to PBR, Performance Based Rate mechanism or, for short, PBR, is that correct?

9:13:14 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And, to your understanding, as you discuss in our testimony, what were these modifications?

9:13:44 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, so the Commission's Final Order changed the Transportation Cost Index benchmark for two of the interstate pipelines from which Columbia takes service from the rates approved by FERC to the current discounted rates negotiated by Columbia, correct?

9:14:03 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And the Commission did this because, in part, it stated that it wanted to continue to see improvement when negotiating (inaudible) rates, is that your recollection?

9:14:17 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And then, did the Commission's Final Order also further adjust the benchmark within the Transportation Cost Index for Columbia's storage service transportation contracts by adding percentage (inaudible) on top of FERC approved rates?

9:14:51 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, can you briefly explain why Columbia has filed for rehearing in this case?

9:17:32 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, thank you, so, just to back up a little bit and to clarify, the Commission Order had made some modifications to Columbia's PBR, and the two interstate pipelines that we're discussing that it would affect is the Tennessee Gas Pipeline and the Columbia Gas Transmission Corporation Pipeline, is that correct?

9:18:19 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace So, once again, I know you just touched on this, but I just want to make sure that we clarify for the record, that in your testimony, you were discussing and, just now, you were discussing the Capital Cost Recovery Mechanism or CCRM, for short, that Columbia Gas Transmission Corporation has added on to its FERC approved rate, is that correct?

9:18:51 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and I know you touched a little bit on the modernization program, but could you go a little bit more into that such as it looks like in your testimony previously you said that this modernization program helped replace their steel and cast iron pipeline. Can you go a little bit more indepth into that for the Commissioners?

9:21:28 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and is it accurate to state that it is beginning it's eighth year of this modernization program?

9:21:40 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and phase one investment was roughly one-point-five billion, and phase two investment was roughly one-point-one-three billion?

9:22:06 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and, this Capital Cost Recovery Mechanism, that is incorporated into the Columbia Transmission Corporation's rates as a FERC approved rider, is that correct?

9:22:20 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And you discuss how, in your previously filed testimony, Columbia worked tirelessly to negotiate its capacity contracts to not become subject to the CCRM rider when it was approved by FERC, is that accurate?

9:22:35 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace So can you explain to the Commission, in as nonconfidential terms as possible, how Columbia was able to negotiate to not be subject to this expensive rider?

9:24:52 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and are you at liberty to say what the third-party pipeline would be? Would it be Tennessee Gas Pipeline or the Central Kentucky Pipeline?

9:25:44 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace In discovery Responses, you stated that, while Columbia would not have changed its approach in Columbia Gas Transmission's modernization discussions if it did not have a PBR mechanism, Columbia cannot assume with complete assurance that Columbia Gas Transmission would have granted a voidance of the CCRM if it knew Columbia did not have a PBR mechanism. Do you recall this Response?

9:26:14 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Can you explain why Columbia Gas Transmission would not have granted a voidance of this CCRM rider if it knew Columbia did not have a PBR mechanism?

9:28:06 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace So, just to clear everything up here, Columbia Gas Transmission Pipeline, are they no longer an affiliate of Columbia Gas of Kentucky?

9:28:24 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, so we're still having trouble understanding why Columbia Gas Transmission would think that Columbia of Kentucky having a PBR would be beneficial in these negotiations for the CCRM rider. You're saying it's just a gut instinct that you thought that they would think it's beneficial?

9:29:24 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace But it seems like, most likely, the main argument that, most likely, prevailed would be that you had this alternative. You had this alternative multiple alternative pipelines that you could have gone to if Columbia would have required you all to pay that CCRM rider, correct?

9:29:50 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and so whether or not you had a PBR was not really a central negotiating point? It wasn't central to the discussion?

9:30:04 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, thank you, so Columbia advised in discovery Responses that it would be renegotiating this contract with Columbia Gas Transmission which was set to expire on March 31st, 2020. Can you provide an update on these contract negotiations?

9:33:00 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay. Commission Staff is going to issue a post-hearing data request on this new contract, so you're saying the contract was entered April 1st, 2020, and so I'm assuming that you would have a contract that you could file into the record even if it's under a subject of confidentiality?

9:33:22 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and, when you said modifying contract quantity, I think I heard you say it's a reduction, is that correct?

9:33:31 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace And do you know why you need the reduction?

9:33:54 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, okay, we will issue some post-hearing data requests on this issue and possibly ask a few additional questions as well because this is not in the record.

9:33:55 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY GOAD PSC - WITNESS ANDERSON
Note: Sacre, Candace APRIL 1, 2020 CONTRACT BETWEEN COLUMBIA KENTUCKY AND COLUMBIA GAS TRANSMISSION CORPORATION AND NECESSITY FOR CONTRACT QUANTITY REDUCTION

9:34:08 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Can you please refer to your Response to Commission Staff's Second Rehearing Request for Information, Item 13-B? and tell me when you're there.

9:36:51 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and do you see where - it should start with "Columbia is the beneficiary. . ." Do you see that?

9:37:00 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Can you read that Response into the record, please?

9:38:01 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, so based on that Response, is it Columbia's position that, absent the Transportation Cost Incentive mechanism as originally designed within the PBR, that I believe was just approved in 2014, it will not devote resources to reducing the gas costs of Kentucky customers?

9:41:54 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace So I guess my question would be, before the Transportation Cost Index was added to Columbia's PBR in 2014, are you saying that Columbia's PBR was a loss for the company? I can't imagine that Columbia would continue with the PBR for so long if you're saying the Gas Cost Index sometimes is a loss.

9:42:42 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace So, basically, we're just trying to understand that Response where you're stating that if Columbia's not provided a reasonable incentive mechanism that, you know, possibly it's not going to devote resources, and I just want to get clarity on the record that, absent the Transportation Cost Incentive or event the PBR mechanism, would you assert on the record that Columbia would still do its due diligence to devote resources to reducing the gas price to (inaudible) most low cost gas available?

9:44:17 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace But, regardless of whether there's a PBR or not, Columbia would still devote resources to an attempt to do its due diligence and purchase the cheapest, you know, lowest cost gas for its customers, correct?

9:44:46 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and then, moving on, in other discovery Responses, you provided a list of 12 other states that have approved natural gas procurement PBR mechanisms. Do you recall that?

9:45:07 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace I think it was you both jointly -

9:45:20 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Okay, and in our Second Staff Request, we actually asked Columbia to confirm you only found 12 other states that have these PBR mechanisms, so would it be fair to say that Kentucky is - it seems to be in the minority of the country, really, of having a PBR mechanism?

9:45:46 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace But, if we're one of 12 states, it sounds like we're in the minority, wouldn't you agree, of states that have the PBR mechanism?

9:46:19 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace Out of the Responses provided, are you aware whether any of the 12 states that you all provided that have PBR mechanisms, are you aware if any of those states have a dollar or percentage cap on the utility's sharing portion?

9:47:25 AM Staff Atty Goad PSC - witness Anderson
Note: Sacre, Candace We have - I'm sure you're aware, there's another PBR case with a different company that we have pending in front of us, and, in that record, they have provided some more indepth information on a few of the states that also have PBR mechanisms where there are some sharing caps, either dollar- or percentage-wise, so the Commission Staff is going to ask for a post-hearing data request for Columbia to dig into those 12 states a little bit more and then provide us information on whether or not there are the percentage or dollar caps on the utility share.

9:48:05 AM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	And then, just one last question, in your opinion, do you believe that a cap on a utility's share or portion could be constructed in a way that would still provide incentive to a utility and, at the same time, give the customers the benefit of as much gas savings as possible?
9:49:27 AM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	Okay, and all we're doing is just trying to look at how the other states are approaching PBRs, you know, in this era and see if it's still needed or if it should be modified and just get all the information we can into the record, so thank you, very much, Mr. Anderson.
9:49:49 AM	Staff Atty Goad PSC Note: Sacre, Candace	And I have no further questions, Vice Chairman.
9:49:50 AM	Vice Chairman Cicero Note: Sacre, Candace	Thank you, Ms. Goad.
9:49:52 AM	Vice Chairman Cicero Note: Sacre, Candace	I neglected to mention that we also have a Staff Attorney, Mr. Bowker, also involved in this process.
9:50:01 AM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Bowker, do you have any questions for Mr. Anderson?
9:50:06 AM	Staff Atty Bowker PSC Note: Sacre, Candace	I do not, sir, no.
9:50:08 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay. Mr. Pinney?
9:50:10 AM	Gen Counsel Pinney PSC Note: Sacre, Candace	I do not.
9:50:12 AM	Vice Chairman Cicero Note: Sacre, Candace	Commissioner Mathews?
9:50:23 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	Examination. Ms. Goad answered many of my questions. I want to go back to that, what you called, discount rate which, for an economist, means something completely different, so discounted transportation rate maybe would make it better for me. When was that negotiated?
9:51:15 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	Okay, and that's what you were giving copies of that to Ms. Goad, correct, in a post-hearing data request?
9:51:25 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	Have there been any significant changes since 2004, other than the not being subject to the CCRM?
9:53:18 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	Do you think you have - I think Ms. Goad touched on this. Do you think you have the responsibility to negotiate to bring your monopoly customers their gas at the least cost with regard to the cost of gas, the cost of transmission, and cost of distribution?
9:54:21 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	And that reliability probably looks very different than it did in 2004. You don't see gas price spikes when there's a hurricane in the Gulf any more, and supplies can be more reliable in this part of the country?
9:55:31 AM	Commission Mathews - witness Anderson Note: Sacre, Candace	I want to just walk through this to make it more clear to myself. In 2014 - prior to 2014, the utility's PBR consisted only of an off-system sales component, is that correct? Did I hear you say that to Ms. Goad?

9:55:56 AM Commission Mathews - witness Anderson
Note: Sacre, Candace Okay, and then the Gas Cost Incentive was added and the Transportation Cost Incentive was added in 2014, correct?

9:56:34 AM Commission Mathews - witness Anderson
Note: Sacre, Candace Which of the states that your sister companies under the NiSource umbrella participate in have PBRs?

9:58:01 AM Commission Mathews - witness Anderson
Note: Sacre, Candace So how do our costs to the customer in Kentucky served by Columbia Kentucky compare to those other states? Virginia, for example?

9:58:23 AM Commission Mathews - witness Anderson
Note: Sacre, Candace I guess I'm looking for a competition to drive prices down, sort of a -

9:58:42 AM Commission Mathews - witness Anderson
Note: Sacre, Candace I'm saying that, if there is competition in pipelines, the transportation costs for a Kentucky customer should be less than the transportation costs reflected in the Virginia customer which has no competition for pipeline?

10:00:07 AM Commissioner Mathews - witness Anderson
Note: Sacre, Candace And that is not because you have a PBR for gas transportation, but it's because you have the ability to go to your transmission, to your pipeline, and say, "I have other options?"

10:00:29 AM Commissioner Mathews
Note: Sacre, Candace Okay, that's all I have, sir.

10:00:35 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace Examination. Good morning, Mr. Anderson. so, if I understand, the tracker utilized by Columbia Transmission is set how often?

10:00:58 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace So, at that point, they go through a true-up from their spending, and that's how the tracker is determined?

10:02:00 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace So, when they develop this rate, how is it that they are able to negotiate with Columbia Gas, and that rate excludes Columbia Gas? In other words, they have an amount they have to cover?

10:02:50 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace And you believe that the reason why you're able to negotiate this better rate or this exclusion of the tracker cost is because you have other alternatives available, competitive alternatives that cause Columbia Transmission to recognize that there's a loss of business if they don't negotiate something that's favorable to Columbia Kentucky, is that right?

10:03:20 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace So how often do you put out for bid, a request for proposal, to these alternatives in order to make certain that the rates that you're receiving from Columbia Transmission are the best?

10:03:59 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace We can go into a confidential session, if that's something that you'd like to do.

10:05:17 AM VideoConf Mics Private Mode Activated
10:05:17 AM Private Recording Activated
10:20:07 AM VideoConf Mics Normal Mode Activated
10:20:07 AM Public Recording Activated
10:20:09 AM Vice Chairman Cicero
Note: Sacre, Candace Back to normal, okay. We are now out of confidential session.

10:20:13 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace So, respectively, to the statement about you believe the data is not stale data; that it's you're doing an analysis on an everyday, current basis, and you believe that that is support enough for the decisions that are being made and whether there's RFPs put out or whether you update a cost benefit analysis, and I'm going to respectfully disagree because that's my nature. I have an accounting degree and a Masters of Business Administration, and I believe, from an accounting perspective, in order to make decisions, historical data needs to be analyzed, but you also need to do it so that it doesn't become old data that you're relying on to make decisions.

10:21:05 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace And that's what Columbia Gas is doing right now. You're taking your business experience and saying you believe that, based on all the variables that go into it, that you can make this rough analysis, but it's not a detailed or quantitative analysis that really shows you the number, and there's no number that comes to the Commission that you provided Staff, and, believe me, we've been on Staff in order to make sure that we look at this from the perspective of what the Commissioners are trying to do, and they're doing a good job of trying to analyze that.

10:21:40 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace But, really, there's nothing that when we look at it that says the data that's being provided is really being updated. We're trying to base this incentive payment off of information that's been provided and continues. It's not a dynamic or moving to upscale into the future. It's always based on the past, and I understand being based on the past, but not 16 years in the past or whatever it is the last time a cost benefit analysis was done, and I think that's the issue that the Commission is trying to reconcile here.

10:22:22 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace And I know, in the initial Order, there was a target that was set, and Columbia believes that that is too aggressive. If you were to offer something that you would say is more reasonable, what would you say Columbia Gas would believe that the target should be rather than what the Commission proposed?

10:24:29 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace Are you searching for it now?

10:24:33 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace Okay. Take your time.

10:26:43 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace So you agree that even though the program has been in effect for some time and that I think you were asked if you agree that Kentucky was in the minority as far as states that offer some kind of sharing program, and you indicated that we were at the forefront, that program modifications, when you're one of a few, may need to be made at times in order to make sure that the program is reflective of what the intent was, and that that's a reasonable statement, wouldn't you say?

10:27:51 AM Vice Chairman Cicero - witness Anderson
Note: Sacre, Candace I just have one more line of questioning here, and I believe that you said that Columbia devotes significant resources, at least, to the daily purchase of gas, and I don't know how often, if it's daily, monthly, I don't know what goes in between there, how often you're making these forward purchases, whether it's primarily daily or whether it's spread out so that you stagger the periods.

10:31:37 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	Well, I'm going to ask you to ask you to clarify it for me, so are we talking - when you say significant resources, you're talking about two people at the corporate level who there's a percentage of their cost being allocated to Kentucky but who actually spend more than the amount of purchases that are made, and so, therefore, rather than being at the five percent level, they're really spending 20 percent of their time, but the allocation is only five percent?
10:32:39 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	But are we only talking two individuals and a portion of their time as being significant?
10:33:09 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	So all of those costs are allocated to Columbia Kentucky and included in base rates, aren't they?
10:33:20 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	So, when you receive an incentive payment, do you net out any of the costs of that incentive payment that is already included in the base rates?
10:33:31 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	Why would that not be the case? because aren't you basically - shouldn't this be a net incentive not a the ratepayer pays here for the cost for these transactions but then has to share in the benefit with Columbia because they've already paid for the cost, but, now, they only get a portion of what the savings are? There's no net; this isn't a net transaction here?
10:34:16 AM	Vice Chairman Cicero - witness Anderson Note: Sacre, Candace	Okay, and I understand your position and won't push that any farther.
10:34:26 AM	Vice Chairman Cicero Note: Sacre, Candace	I don't think I have any other questions.
10:34:29 AM	Vice Chairman Cicero Note: Sacre, Candace	Ms. Wancheck, do you have redirect? (Click on link for further discussion.)
10:35:15 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I don't have any redirect at this time.
10:35:18 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so I'm going to ask, one last chance for Ms. Goad, if she would like to ask any further questions?
10:35:25 AM	Staff Atty Goad PSC Note: Sacre, Candace	We have no further questions for Mr. Anderson.
10:35:30 AM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Bowker, do you have any questions?
10:35:33 AM	Staff Atty Bowker PSC Note: Sacre, Candace	No further questions.
10:35:34 AM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Pinney?
10:35:35 AM	Gen Counsel Pinney PSC Note: Sacre, Candace	No, Your Honor.
10:35:36 AM	Vice Chairman Cicero Note: Sacre, Candace	Dr. Mathews?
10:35:38 AM	Commissioner Mathews Note: Sacre, Candace	I do not, sir.
10:35:40 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay, I think this witness can be excused. Thank you, Mr. Anderson.

10:35:45 AM	Vice Chairman Cicero Note: Sacre, Candace	And, given that it's now 25 to 11, I'd like to take a break until about five to 11, and then we'll come back on record and see if we can finish this up before lunch. Is that okay with everybody? (Click on link for further discussion.)
10:36:03 AM	Vice Chairman Cicero Note: Sacre, Candace	We're in recess until 10:55. Thank you.
10:36:10 AM	Session Paused	
10:55:16 AM	Session Resumed	
10:55:19 AM	Vice Chairman Cicero Note: Sacre, Candace	We're back in session. We've completed the testimony of Mr. Anderson. Ms. Wancheck, do you have another witness?
10:55:54 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I am just waiting on Ms. Cooper to return. (Click on link for further discussion.)
10:56:52 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Yes, thank you. I'd like to call Ms. Judy Cooper.
10:57:09 AM	Vice Chairman Cicero Note: Sacre, Candace	Witness is sworn.
10:57:16 AM	Vice Chairman Cicero Note: Sacre, Candace	Okay. Ms. Wancheck, please proceed.
10:57:19 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Thank you.
10:57:21 AM	Atty Wancheck Columbia Kentucky - witness Cooper Note: Sacre, Candace	Direct Examination. Ms. Cooper, can you please state your name and title for the record?
10:57:33 AM	Atty Wancheck Columbia Kentucky - witness Cooper Note: Sacre, Candace	Thank you, and did you cause testimony to be filed on your behalf on January 3rd of 2020?
10:57:43 AM	Atty Wancheck Columbia Kentucky - witness Cooper Note: Sacre, Candace	Have you had an opportunity to review that testimony?
10:57:49 AM	Atty Wancheck Columbia Kentucky - witness Cooper Note: Sacre, Candace	Do you have any changes or corrections to your testimony?
10:57:57 AM	Atty Wancheck Columbia Kentucky - witness Cooper Note: Sacre, Candace	If I were today to ask you the same questions contained in your testimony, would your answers be the same?
10:58:05 AM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	The witness is available for cross examination.
10:58:08 AM	Vice Chairman Cicero Note: Sacre, Candace	Ms. Goad?
10:58:11 AM	Staff Atty Goad PSC Note: Sacre, Candace	Yes, thank you, Vice Chairman.
10:58:13 AM	Staff Atty Goad PSC - witness Cooper Note: Sacre, Candace	Cross Examination. Good morning, Ms. Cooper. To your knowledge, did the Commission initially approve of Performance-Based Rate mechanisms or the PBR mechanisms in the late '90s and early 2000s due to high natural gas prices and price volatility?
10:58:39 AM	Staff Atty Goad PSC - witness Cooper Note: Sacre, Candace	And would you agree that, for around about the past decade, at least, natural gas prices have been at historic lows with little to no price volatility and in abundant supply?

11:00:23 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace So you would agree though that for around the past decade that natural gas prices have been at historic lows and that we have an abundance of supply now? In addition to what you just stated, would you agree to that?

11:01:19 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, so you do agree that in this current environment concerning the price and availability of natural gas that, in 2020, we are at a very different period than when the Commission initially approved the PBRs over 20 years ago? It's just that I think (inaudible).

11:02:36 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, so I believe you're answering my next question, which was based on the change in circumstances of over the past 20 years of the different markets tat, you know, we're experiencing now versus 20 years ago when the PBR was initially established by the Commission, do you think a PBR is still necessary and required?

11:03:31 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, I'll ask you the same question that I asked Mr. Anderson previously, but wouldn't you agree that it is Columbia's - Columbia is required to perform its due diligence to go and purchase the least cost gas to provide to its customers regardless of a PBR or not?

11:04:25 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And, from the just review of the totality of the record, it appears that Columbia is saying that they do think a PBR is still needed, maybe not required, but they still want to have a PBR, but, based on these change in circumstances that we're discussing over the past 20 years, do you not think it's at least reasonable for that PBR to be modified?

11:05:56 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace I understand that you're referencing the modifications from the 2014 case. I was actually referencing the more recent modifications in the 2019 case. Just, you know, do you understand why PBRs need to be modified based on the natural gas market fluctuating throughout the past 20 years?

11:08:25 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Can you elaborate how those modifications in the Order could affect Mr. Anderson negotiating the rate?

11:08:56 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Just now, I thought you said that these modifications could affect Mr. Anderson's poker face when negotiating for rates?

11:09:38 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, so just to clear everything up, your testimony today is that the modifications made will not affect Mr. Anderson's ability to negotiate those lower pipeline rates that are below the FERC-approved rates?

11:10:15 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Yes, I thought that you had said that the modifications made in the Order would negatively affect Mr. Anderson's ability to negotiate those pipeline contracts, and I just wanted to clear everything up for the record that that was not your testimony today.

11:10:37 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace I thought that you had said that the modifications made in the Final Order in October by the Commission would negatively affect Mr. Anderson's ability to negotiate the pipeline rates below the FERC rate.

11:11:25 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay. I just wanted to clarify the record because, when I discussed that issue with Mr. Anderson, he had stated that the PBR was basically in the background and that the majority of the arguments, the main negotiation point, was that you had multiple other options for, pipeline, you know, capacity, so I just wanted to clear the record

11:12:19 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, my conversation with Mr. Anderson was not in the confidential session; it was only the Vice Chairman's conversation, so that was not confidential information.

11:12:29 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, moving on, Ms. Cooper, to the best of your knowledge, are there only three natural gas companies in the State of Kentucky that have a PBR mechanism?

11:12:42 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And are those companies Atmos Energy Corporation, Louisville Gas & Electric Company, and Columbia Gas of Kentucky?

11:12:52 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Can you explain why Duke Energy of Kentucky does not have a PBR mechanism?

11:13:03 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Do you know why Delta Natural Gas, Inc., does not have a PBR mechanism?

11:13:11 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Do you know why no other natural gas company in Kentucky has a PBR mechanism except for the three that we mentioned?

11:13:24 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace So you all have never discussed it at any meetings or any type of conferences as to why they chose not to have a PBR mechanism?

11:13:49 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Can you explain how all of the other natural gas utilities in Kentucky are able to procure low-cost, reliable gas supply without a PBR mechanism?

11:14:13 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Would you agree that one could presume from these facts that PBR mechanisms are not required to provide reliable, low-cost natural gas to customers since only three in the whole state actually have PBR mechanisms?

11:14:35 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace I said, could you presume from this set of facts that PBR mechanisms are not required to provide reliable, low-cost natural gas to customers?

11:15:13 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And did Columbia file for rehearing in part because it does not agree with modifications to the Transportation Incentive component as we previously discussed?

11:15:26 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace For the next few questions, I will provide a document for your review.

11:15:36 AM Staff Atty Goad PSC
Note: Sacre, Candace Kabrenda, would you please share PSC's Exhibit No. 1? (Click on link for further discussion.)

11:16:02 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, and do you recognize this Exhibit from Case No. 2020-00143? It's Columbia's April 29th, 2020 Purchase Gas Adjustment Application, and this is Schedule 6 which sets out the annual calculation of the PBR adjustments.

11:16:44 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And, on this Page 1 of 1 of Schedule 6, is it accurate that it shows the different components of the PBR adjustment for each month?

11:16:58 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And is it correct that this document demonstrates the magnitude of Columbia's sharing pursuant to its PBR Transportation Incentive component both in the months immediately preceding the Commission's October 22nd, 2019 Final Order as well as in the months that followed the Order?

11:17:26 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, for the months April through October of 2019, can you please provide the lowest monthly company performance share for the transportation costs?

11:17:41 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace From April through October of 2019, what were the lowest monthly company performance share for transportation costs?

11:18:43 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And that was in April of 2019, correct?

11:18:53 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And what was the highest company share from April through October 2019?

11:19:14 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And, just as a side note, that amount is a little lower than it would have been without the Commission issuing the Order modifying the terms, correct?

11:19:42 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace I believe it's located in possibly Footnote 2, the October 2019 calculation is reflected downward based on that new calculation since the Order was entered October 22nd, 2019?

11:20:09 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Yes, it's footnoted, Footnote 2.

11:20:18 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, well, we can just do it subject to check that that amount was probably a bit of a downward adjustment due to the Commission's Order.

11:20:44 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And then what was the lowest company transportation cost share - so now we're looking after the Order was issued in October of 2019. From November of 2019 through March of 2020, what was the lowest company transportation cost share?

11:21:09 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace In November of 2019, okay, and then what was the highest company transportation cost share in that same period?

11:21:33 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, so, just in general, those numbers are very different before and after the Commission's October 2019 Order, correct?

11:21:46 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace So is it Columbia's position in this rehearing that the savings and the retainment that Columbia experienced with the transportation cost before the October 2019 Order is appropriate and that it has to be that large to incentivize Columbia to secure the lowest possible transportation cost for its customers?

11:24:40 AM Staff Atty Goad PSC
Note: Sacre, Candace Thank you, Kabrenda. I believe we can take down the Exhibit now.

11:24:47 AM Staff Atty Goad PSC
Note: Sacre, Candace And, Vice Chairman, in a post-hearing data request, the Commission Staff will be asking Columbia to file this PBR information into our current record. This information came in a separate Application after our discovery time had expired, so we will also be asking additional more detailed information requests in those post-hearing requests for information.

11:24:51 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY GOAD PSC - WITNESS COOPER
Note: Sacre, Candace COLUMBIA GAS PREVIOUSLY FILED PBR INFORMATION

11:25:13 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And, Ms. Cooper, referring to your direct testimony, is it accurate that you provide an alternative calculation for the Columbia Gas Transmission benchmark assuming that the Commission is not willing to use the FERC-approved rate as the benchmark?

11:25:38 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And, using your alternative calculation - I'm trying to get it in front of me - Columbia is proposing that the Columbia Gas Transmission benchmark is \$5.729, is that correct?

11:26:03 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Yes, listed as the new Columbia Transmission benchmark, and that is using the four-point-one-eight-five-zero-dollar discount rate from Columbia Gas Transmission and then applying the calculated gross-up factor of 36.9 percent, is that correct?

11:26:28 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And you have that calculation of the 36.9 percent gross-up factor on page 10 as well, correct?

11:26:36 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Do you recall where you got the four-point-eight-three-one-dollar number?

11:27:13 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace So, in other words, would that be the base SST tariff rate for 2014?

11:27:58 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, so I think the rest of that line of questioning you're just referring to Mr. Anderson, correct? because I was going to also ask you where you got the six-point-six-one-two-dollar number and if that's the Columbia Gas SST rate, so do you want to defer that to Mr. Anderson as well?

11:28:31 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace And I can reiterate when Mr. Anderson comes back on the stand, but, basically, Commission Staff's going to have a few questions, post-hearing questions on this alternative calculation.

11:28:36 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY GOAD PSC - WITNESS COOPER
Note: Sacre, Candace COLUMBIA GAS TRANSMISSION BENCHMARK ALTERNATIVE CALCULATION

11:28:44 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Ms. Cooper, can you provide Columbia's 2019 net income PBR profit and PBR percentage of net income?

11:29:01 AM Staff Atty Goad PSC
Note: Sacre, Candace Vice Chairman, the Commission Staff will request this information in post-hearing discovery requests.

11:29:05 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace STAFF ATTY GOAD PSC - WITNESS COOPER
Note: Sacre, Candace COLUMBIA 2019 NET INCOME PBR PROFIT AND PBR PERCENTAGE OF NET INCOME

11:29:07 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Subject to check, Ms. Cooper, for 2019, would the PBR percentage of net income of 24.5 percent sound correct?

11:29:27 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Okay, well, subject to check, based on the Commission Staff's calculation, the 2019 PBR percentage of net income for Columbia will be 24.5 percent; for 2018, it was 18.2 percent; and, for 2017, it was 27.2 percent. Ms. Cooper, doesn't this seem a bit excessive and unreasonable for a PBR profit?

11:30:15 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Well, just in general and subject to check, if a PBR percentage of the net income is a quarter of a business's net income, would that not be a bit high?

11:30:45 AM Staff Atty Goad PSC - witness Cooper
Note: Sacre, Candace Well, the Commission Staff's going to be asking all of these questions in post-hearing data requests, and then you'll be able to get your numbers and be able to file everything into the record.

11:30:58 AM Staff Atty Goad PSC
Note: Sacre, Candace Except for the deferral of questions to Mr. Anderson, I have no further questions of Ms. Cooper. Thank you, Ms. Cooper.

11:31:07 AM Vice Chairman Cicero
Note: Sacre, Candace Mr. Bowker, do you any questions?

11:31:10 AM Staff Atty Bowker PSC
Note: Sacre, Candace No, sir.

11:31:12 AM Vice Chairman Cicero
Note: Sacre, Candace Mr. Pinney?

11:31:13 AM Gen Counsel Pinney PSC
Note: Sacre, Candace I do not, Your Honor.

11:31:15 AM Vice Chairman Cicero
Note: Sacre, Candace Dr. Mathews?

11:31:17 AM Commissioner Mathews
Note: Sacre, Candace Just a couple.

11:31:23 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace Examination. You mentioned earlier that there are other sources of energy for customers and that that competition is an incentive for a gas utility to keep its rates low. What were those? What is that competition that you're discussing?

11:33:17 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace So the price of gas delivered to a home, which includes the cost of distribution, the cost of getting the gas, and the gas cost, right?

11:33:35 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace When those homeowners are making that decision for the next 20 years, my house I want to heat with gas or my house I want to heat with electric, you make internal forecasts about what you think the price of gas would be. Isn't that incentive for you to work hard at getting the least cost transportation and the least cost commodity to your customers?

11:34:47 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace Do you think a builder in 2020 would be able to advertise positively that their subdivision they're building has gas available?

11:35:23 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace I guess, it's pretty (inaudible) to understand that somebody wouldn't know or care, but that's - you know, I am an energy nerd. I can't help it.

11:35:36 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace So the program was changed in 2014 to add the components of Gas Cost and Transportation Cost for the PBR program, is that correct?

11:36:23 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace In 2014, the PBR program was amended to include the Gas Cost Incentive and the Transportation Cost Incentive?

11:36:58 AM Commissioner Mathews - witness Cooper
Note: Sacre, Candace Well, what I would ask is, when you answer Ms. Goad's question about earnings and percent of earnings that is attributed to the PBR, if you would go back and look prior to 2013, let's go back to 2010, and show if that changed in 2014? And we'll give you (inaudible).

11:37:26 AM POST-HEARING DATA REQUEST
Note: Sacre, Candace COMMISSIONER MATHEWS - WITNESS COOPER
Note: Sacre, Candace COLUMBIA NET INCOME PBR PROFIT AND PBR PERCENTAGE OF NET INCOME 2010 THROUGH 2013

11:37:40 AM Commissioner Mathews
Note: Sacre, Candace And that's all I have, sir.

11:37:43 AM Vice Chairman Cicero
Note: Sacre, Candace Thank you.

11:37:45 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace Examination. Ms. Cooper, so you have testified that, Columbia Gas, their procurement process goes above and beyond what would be a normal purchasing strategy. I think that was your testimony, correct?

11:38:13 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace And it's over and above what is required, correct?

11:38:25 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace You've also testified that it's your obligation or Columbia's obligation to have the least cost option for its ratepayers, so you agree that you have an obligation to procure your gas at the least cost while remaining reliable, but, yet, for this program, it allows you to go over and above what that obligation is. How does that work? How can you be obligated to have the lowest cost option reliably, but you go over and above that because you're incentivized?

11:43:34 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So you're implying that the least cost obligation for Columbia Gas in a regulated market is the FERC rate, and there's no obligation to try to negotiate anything less than that because that's the rate established, and, therefore, the tracker that has been eliminated because of the negotiation by Mr. Anderson, that would never happen unless there was this incentive?

11:44:14 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace But your obligation is to provide the least cost option, and you had already done business with Columbia Transmission for many, many years, and so you would have been negotiating with them anyway, and I think I've already had the discussion with Mr. Anderson that I still haven't seen a true cost benefit analysis since 2004, so I'm not - there's only three gas suppliers in Kentucky that are receiving this benefit. Are we implying that the others, such as Duke and Delta, don't have the obligation to do the least cost option because they aren't incentivized?

11:46:25 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace And, when you refer to expertise, don't ratepayers, no matter who the provider is, they're paying for that expertise through base rates? Whether it's Columbia's expertise or Duke's expertise, ratepayers already pay for that expertise to provide that low cost option, don't they?

11:47:12 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So I think what this all boils down to is that there's a program in place that Columbia is benefitting to a great degree, very beneficially, especially in the Transportation portion of this program because, if you look at the Off-System Sales, which I agree, if you can buy gas cheaper and sell it for more, your customers definitely receive a great benefit from that. There's no question, and they also receive benefit from buying gas at a lower price, but the Transportation while I agree provides a benefit, it's what incentive needs to be paid for a program that's already been in place for several years, and if we look at that Transportation portion, and I think Ms. Goad was trying to refer to this as a percentage of total income, it's pretty substantial, so the question becomes what incentive does Columbia really need in order for them to go, as you said, above and beyond the fair, just, and reasonable obligation? And is that two-point-four-million dollars, or is that \$150,000, or what level is it that needs to be incentivized to reach that goal that you talk about? And the Commission didn't eliminate the incentive, did they? They left an incentive in place, didn't they?

11:49:34 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So why, on the Exhibit that Ms. Goad had up, did it show Transportation Incentive a benefit to Columbia of any where from fourteen thousand to nineteen thousand a month from October through - no, not October, November through, I don't know, was it March?

11:50:33 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So there is still a Transportation Incentive; it's just not the benchmark tracker that you're arguing should be a portion of it?

11:52:19 AM Vice Chairman Cicero
Note: Sacre, Candace So, Ms. Goad, can you pull up that Exhibit for me, please? (Click on link for further discussion.)

11:52:34 AM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So here was the point I was trying to make. If you looked at the April through October, the company performance share is over two million dollars, but, for November through March, it's only about \$160,000, and the point that I was trying to make is the company is still receiving an incentive payment. While it's not the substantial payments that were made prior to that, there's still an incentive that's beng made to the benefit of Columbia Kentucky, and so my question was at what level of incentive does Columbia Kentucky feel that it's beneficial to them to have the lowest cost procurement or system sales or transportation costs considering that there's other companies that don't receive any incentive whatsoever?

12:01:54 PM Vice Chairman Cicero
Note: Sacre, Candace I was just going to ask Ms. Goad to take down that Exhibit, and then we can discuss further here.

12:02:07 PM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace So here's the - I think the issue that the Commission has is Columbia of Kentucky is stating that they were - they entered into a long-term agreement to the benefit of ratepayers, and FERC has increased the rate which is considered the fair, just, and reasonable rate, in your opinion, and so, therefore, there is this incremental change that keeps growing because you're not subject to the CCR, so the incremental difference continues to grow because you're still going from a baseline rate. If it was switched around and you didn't enter into a long-term contract and the transportation rate went up, would you not pass that along to ratepayers as a legitimate cost of doing business?

12:03:19 PM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace I'm referring to your Kentucky transportation rate. If you had negotiated a rate that expired and the rate increased, would you not pass that along to ratepayers?

12:03:44 PM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace Here's the point I'm trying to make. Columbia Gas has a minimal risk in this whole situation. They have the benefit of a long-term contract that goes into - I'm not sure when it expires, but whatever it is, over the period of time that it's been in effect, it's generating savings for Columbia Gas without really any new negotiation going on. No cost benefit done to determine whether it's the best or the worst, but it's generating savings because the FERC rate is increasing. That's already been excluded, so there's going to be an increase in savings going along because this rate that was put into effect, so there's no downside risk here, and there would be no downside risk no matter what because, if this rate was not in effect, at some point, as the transportation cost went up, Columbia Kentucky would pass those rates through in a rate increase to ratepayers, would they not?

12:06:21 PM Vice Chairman Cicero - witness Cooper
Note: Sacre, Candace Okay, I understand the concern that Columbia Gas has, but that's why this has to be not a stagnant-type calculation. It has to be dynamic. It has to reflect what's actually going on in the marketplace, so, if the rate through the next contract were to go up, then the Commission would have to take that into consideration as far as the savings go. In other words, not penalizing. That takes the risk out again. Either way, it's going to get passed through to ratepayers, would you not agree?

12:07:03 PM	Vice Chairman Cicero - witness Cooper Note: Sacre, Candace	Okay, so as I stated earlier, the Commission - at least, the three Commissioners are trying to look at all of the costs associated, no matter what the utilities are, these types of programs are the type. We looked at the DSM program on the electric side. These programs that provide an additional incentive for what the Commission believes is the responsibility of the utility to do in the first place, are going to be scrutinized heavily, which is what we're doing here with program.
12:07:46 PM	Vice Chairman Cicero - witness Cooper Note: Sacre, Candace	I'm not saying that there's not a need for some kind of incentive, but we're definitely looking at what would be considered from the Commission's perspective and for ratepayers to be fair, just, and reasonable, that Columbia Gas still benefits, and the ratepayers still benefit, and it proves out that it's a workable program.
12:08:14 PM	Vice Chairman Cicero - witness Cooper Note: Sacre, Candace	So that's what we're trying to do here in review of what has happened and why the rehearing was granted to get more information from Columbia Kentucky. That is where we are with it, okay?
12:11:27 PM	Vice Chairman Cicero - witness Cooper Note: Sacre, Candace	So, first, we're not going to encourage anybody to go out and put in an incentive program. At this point, I know, from looking at all the gas pricing, that Columbia is not the lowest priced out there, and I would presume, if they lost the CCR benefit, that they would go out for an RFP and look for an additional source because they'd lose that benefit.
12:12:07 PM	Vice Chairman Cicero Note: Sacre, Candace	That's all I have. Ms. Wancheck, do you have a redirect?
12:12:14 PM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I don't have a redirect at this time.
12:12:17 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, thank you, so I'm going to go back to Ms. Goad to see if she has anything else?
12:12:23 PM	Staff Atty Goad PSC Note: Sacre, Candace	No further questions for Ms. Cooper.
12:12:26 PM	Vice Chairman Cicero Note: Sacre, Candace	Did you want to call Mr. Anderson back?
12:12:30 PM	Staff Atty Goad PSC Note: Sacre, Candace	If Mr. Anderson is easily available, the I could ask a few questions that Ms. Cooper deferred to him. If not, then I can always - we can issue those in a post-hearing data request.
12:12:42 PM	Vice Chairman Cicero Note: Sacre, Candace	What would you prefer?
12:12:45 PM	Staff Atty Goad PSC Note: Sacre, Candace	I can go ahead and ask since it appears he's available.
12:12:49 PM	Vice Chairman Cicero Note: Sacre, Candace	Let me ask if anybody else has questions for Ms. Cooper first. Mr. Bowker?
12:12:55 PM	Staff Atty Bowker PSC Note: Sacre, Candace	No, sir.
12:12:57 PM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Pinney?
12:12:59 PM	Vice Chairman Cicero Note: Sacre, Candace	Dr. Mathews?

12:13:00 PM	Commissioner Mathews Note: Sacre, Candace	I do not.
12:13:02 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so, Ms. Cooper, you may be excused. Thank you very much.
12:13:07 PM	Vice Chairman Cicero Note: Sacre, Candace	And could we have Mr. Anderson back? Is he still there?
12:13:21 PM	Vice Chairman Cicero Note: Sacre, Candace	Thank you, okay, you're still under oath, Mr. Anderson, and I think Ms. Goad has a couple of follow-up questions, and I think we can wrap this up after that.
12:13:27 PM	Vice Chairman Cicero Note: Sacre, Candace	Ms. Goad?
12:13:29 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	Recross Examination. Mr. Anderson, were you privy to Ms. Cooper's and my conversation concerning her proposed alternative calculation?
12:13:38 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	Okay, and she had alluded to the fact that you had provided her with some of the numbers that I was requesting, is that correct?
12:13:50 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	So can you tell me where you got the four-point-eight-three-one-dollar number from? Was that the base SST tariff rate for 2014?
12:14:24 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	And where did you get the six-point-six-one-two-dollar number from? Was that the total FERC-approved Columbia Gas Transmission SST rate for 2019?
12:15:36 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	But you would agree that the six-point-six-one-two number that you provided Ms. Cooper in her calculation that that is the total FERC-approved Columbia Gas Transmission SST rate for 2019 at that time?
12:16:32 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	So the question that we have is, for one number, you used the base SST tariff rate for 2014. and then, for the second number, you used the total FERC-approved Columbia Gas Transmission SST rate for 2019, so we're a bit confused as to why, when you were creating this percentage increase for the alternative benchmark, why you didn't use the 2014 base SST rate and the 2019 SST rate or use the 2014 total FERC-approved rate and the 2019 total FERC-approved rate. Do you see what I'm saying? It looks like we're mixing apples and oranges, and we're trying to figure out why that is.
12:19:06 PM	Staff Atty Goad PSC - witness Anderson Note: Sacre, Candace	So do you believe it would be incorrect to use the base SST rate from 2014 to 2019 or the total FERC-approved rate from from 2014 and 2019 and just have apples to apples comparison? Do you think that would be an incorrect way of trying to get to an alternative benchmark calculation?
12:21:49 PM	Staff Atty Goad PSC Note: Sacre, Candace	Thank you, Mr. Anderson.
12:21:51 PM	Staff Atty Goad PSC Note: Sacre, Candace	And, Vice Chairman, the Commission Staff will be issuing a multitude of questions concerning these alternative benchmark calculations to Columbia. Thank you very much.
12:22:02 PM	Vice Chairman Cicero Note: Sacre, Candace	Is that it, Ms. Goad?

12:22:04 PM	Staff Atty Goad PSC Note: Sacre, Candace	I have no further questions for Mr. Anderson.
12:22:08 PM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Pinney?
12:22:09 PM	Gen Counsel Pinney PSC Note: Sacre, Candace	I've got nothing.
12:22:10 PM	Vice Chairman Cicero Note: Sacre, Candace	Mr. Bowker?
12:22:12 PM	Staff Atty Bowker PSC Note: Sacre, Candace	No, sir.
12:22:13 PM	Vice Chairman Cicero Note: Sacre, Candace	Dr. Mathews?
12:22:15 PM	Commissioner Mathews Note: Sacre, Candace	I don't have any.
12:22:17 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, I think that that concludes Mr. Anderson's testimony. Ms. Wancheck, do you have any other witnesses?
12:22:26 PM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I don't have any other witnesses at this time.
12:22:29 PM	Vice Chairman Cicero Note: Sacre, Candace	Did you have any questions for Mr. Anderson as a conclusion on a redirect, or are you satisfied?
12:22:38 PM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I am satisfied, and we will just wait for the post-hearing data requests.
12:22:42 PM	Vice Chairman Cicero Note: Sacre, Candace	So there was no - I don't think anybody introduced any exhibits that were made a part of the record that probably wasn't already a part of the record, so we don't have that issue.
12:22:52 PM	Staff Atty Goad PSC Note: Sacre, Candace	Vice Chairman, I could ask for PSC Exhibit 1 to be admitted into the record. (Click on link for further discussion.)
12:23:08 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so go ahead, and we'll mark it PSC Staff Exhibit 1.
12:23:19 PM	PSC EXHIBIT 1 Note: Sacre, Candace	SCHEDULE NO. 6 PAGE 1 OF 1 - CALCULATION OF PERFORMANCE-BASED RATE ADJUSTMENT JUNE 1, 2020
12:23:26 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so are there any motions at this time?
12:23:31 PM	Vice Chairman Cicero Note: Sacre, Candace	All right, so we do have some requests for information. I think that's all in your court, Ms. Goad, is that correct? You're the only one requesting information?
12:23:42 PM	Staff Atty Goad PSC Note: Sacre, Candace	Yes, Commission Staff would request until at least Monday, June 1st to be able to compile all of the requests.
12:23:51 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, and so do you think, Ms. Wancheck, you'll be able to respond by June 12th?
12:24:00 PM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	Without seeing them, I think it sounds reasonable.

12:24:03 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, and that's a Friday, so it's basically two weeks, ten working days, so, if that's the case, we will put out our schedule that Staff will provide by June 1st all of the post-hearing data requests, and the responses will be due on the 12th.
12:24:26 PM	Vice Chairman Cicero Note: Sacre, Candace	Are you going to file a brief or plan on filing a brief, Ms. Wancheck?
12:24:35 PM	Atty Wancheck Columbia Kentucky Note: Sacre, Candace	I would like to file a post-hearing brief. I think that perhaps maybe waiting to see what the outstanding questions that are going to be propounded upon us might be more appropriate to wait until after those are completed to file any sort of post-hearing brief.
12:24:58 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, so, since your responses will be due by the 12th, if you plan on filing a brief, it's going to be due on the 24th, and I would ask that you provide Ms. Goad, once you file your responses, whether you plan on filing that brief or not so we have a head's up, okay?
12:25:22 PM	Atty Wancheck Columbia Kentuck Note: Sacre, Candace	Absolutely, Your Honor
12:25:24 PM	Vice Chairman Cicero Note: Sacre, Candace	Okay, that being the case, I think we're all set. At this point, we're going to adjourn. Thank you very much everyone. This meeting is adjourned.
12:25:38 PM	Session Ended	



Exhibit List Report

2017-00453 27May2020

**Columbia Gas of Kentucky, Inc.
(Columbia Kentucky)**

Name:	Description:
PSC Exhibit 1	Schedule No. 6 Page 1 of 1 - Calculation of Performance Based Rate Adjustment June 1, 2020

COLUMBIA GAS OF KENTUCKY, INC.**CALCULATION OF PERFORMANCE BASED RATE ADJUSTMENT**
Effective Billing Unit 1 June 2020

<u>Month</u>	<u>Gas Cost</u>	<u>Transportation Cost</u>	<u>Off-System Sales</u>	<u>Company Performance Share</u>
February 2019	1.81	81.32	16.99	100.12
March 2019	(3.06)	(15.19)	141.33	123.08
April 2019	3,896.35	242,336.68	84,068.87	330,301.90
May 2019	2,873.41	249,953.34	100,843.83	353,670.58
June 2019	(2,879.64)	247,030.17	85,736.18	329,886.71
July 2019	31,572.81	247,721.61	70,998.77	350,293.19
August 2019	14,020.07	247,723.29	37,098.21	298,841.57
September 2019	9,966.89	246,082.50	26,864.96	282,914.35
October 2019	20,106.63	266,140.62	23,992.66	310,239.91
November 2019	(2,955.40)	14,194.34	12,346.61	23,585.55
December 2019	10,531.18	17,858.48	15,649.49	44,039.15
January 2020	1,944.31	19,559.67	15,585.36	37,089.34
February 2020	94.82	17,768.99	8,077.66	25,941.47
March 2020	6,808.88	17,997.85	3,617.26	28,423.99
Company Performance Share	95,979.06	1,834,433.67	485,038.18	\$ 2,415,450.91
Projected Sales Volumes for the 12 Months Ended May 31, 2021				11,146,830
Performance Based Rate Adjustment to Expire May 31, 2020				\$ <u>0.2167</u>

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