COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF GAS RATES OF COLUMBIA GAS OF KENTUCKY, INC.	) CASE NO.) 2002-00145

THIRD DATA REQUEST OF COMMISSION STAFF TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. (Columbia) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 25, 2002. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately.

1. In response to Item 21 of the First Data Request of Commission Staff to Columbia Gas of Kentucky, Inc. released April 29, 2002, Columbia states copies of its federal and state income tax returns for the taxable year ended during the test period

will not be available until September 15, 2002 and October 15, 2002, the dates they are scheduled to be filed with the taxing authorities. In the interim provide copies of Columbia s federal and state income tax returns for the tax year ended in 2000.

2. Refer to page 3 of the Prepared Direct Testimony of Albert D. Romero to the statement that, The Columbia Energy Group and its successor, NiSource, Inc., began filing consolidated state returns for tax years 1995 and forward.

a. Provide copies of the ruling, regulation, or other documentation from the Kentucky Revenue Cabinet that permitted the Columbia Energy Group (Columbia Energy) and NiSource, Inc. (NiSource) companies to file consolidated Kentucky Corporate Income Tax Returns.

b. Provide a schedule listing Columbia Energy s and NiSource s effective Kentucky income tax rate for each tax year that consolidated Kentucky Corporate Income Tax Returns were filed.

3. The Uniform System of Accounts proscribed by the Federal Energy Regulatory Commission (FERC) requires materials and supplies to be recorded either in Account No. 154 Plant Materials and Operating Supplies or Account No. 156 Other Materials and Supplies. Provide a detailed explanation as to why Columbia is using Account No. 186 Miscellaneous Deferred Debits for materials and supplies included in its rate base.

4. Refer to the response to Item 2 of Second Data Request of Commission Staff to Columbia Gas of Kentucky, Inc. dated June 12, 2002 (Staff s Second Data Request). Part (b) of the response indicates that Columbia is considering whether to

make a change in the four-year term of its Customer Choice pilot program and that it expects to complete its evaluation later this year.

a. When does Columbia expect to complete its evaluation?

b. Based on the response to part (a) of this request, describe the extent to which Columbia s reconsideration of the term of the pilot will impact the operation of its Customer Choice program for the 2002-2003 heating season.

c. The June 3, 2002 annual report on Columbia s Customer Choice program indicated that, through March 2002, Choice customers had paid $813,742 more than if they had remained sales customers of Columbia. Provide an update of that amount through the most recent month available. Consider this a continuing request and continue to provide updates until the scheduled hearing in this case.

5. Columbia makes monthly filings, which set out the status of the marketers participating in the Customer Choice program. Those filings state the marketers current rate offerings and whether individual marketers are currently enrolling new customers. Provide copies of all such filings made with the Commission since the beginning of the Customer Choice program.

6. Refer to the responses to Item 3(b) and 3(c) of the Staff s Second Data Request.

a. Concerning the response to part (b), explain in detail why the other Community Action Councils (CACs) were not included in the discussions and development of the proposed Energy Assistance Program (EAP).

b. Provide a dateline that outlines the steps and processes used to develop the proposed EAP. Include the dates when presentations and meetings were held with the various groups.

c. Explain whether the groups identified in the response to part (b) fully endorse and support the proposed EAP.

d. Concerning the response to part (c), explain how Columbia concluded that it is reasonable to assume that, since the funding for the proposed EAP is 20 percent of the total depreciation savings and residential customers make up 60 percent of Columbia s revenues, the proposed EAP is being exclusively funded by the residential customers.

7. Refer to the responses to Item 3(c) and Item 8 of the Staff s Second Data Request, in which Columbia states that its innovative funding proposal for its EAP does not lend itself to placing a line item on customers bills.

a. Describe the extent to which Columbia considered other ways of funding the proposed EAP.

b. Columbia proposes to fund EAP with $500,000 from its proposed decrease in depreciation expense rather than reflecting the lower depreciation expense in determining its revenue requirement. Explain what prevented Columbia from reflecting the reduced depreciation expense in its proposed revenue requirement and from setting the $500,000 proposed for the EAP out separately and recovering it through a surcharge as was done in the Customer Assistance Program.

8. Refer to the response to Item 4 of the Staff s Second Data Request.

a. Provide copies of the 1999 The Prime Group, LLC study.

b. Provide the workpapers and calculations that support each of the amounts listed in the response.

9. Refer to the responses to Item 6 (b) and (c), of the Staff s Second Data Request. Has Columbia verified that the other CACs will participate in the proposed EAP? Explain the response.

10. Refer to the response to Item 7 of the Staff s Second Data Request. Columbia was requested to provide all workpapers, assumptions, and other supporting documentation used to determine the administrative expense levels. This information was not provided with the response. Provide the originally requested information.

11. Refer to the response to Item 8 of the Staff s Second Data Request. Identify the utilities that Columbia is aware of that have cost recovery authorized under KRS 278.285, but do not show the charges associated with that cost recovery separately on customers bills.

12. Refer to the response to Item 9 of the Staff s Second Data Request. Explain in detail why Columbia has not developed work plans to deal with the scenario presented in Item 9.

13. Refer to the response to Item 15(a) of the Staff s Second Data Request.

a. Mr. Moul states that the regulatory model should avoid providing a disincentive to a utility for obtaining the highest level of credit quality. Provide an example of a regulatory obstruction to obtaining a high credit rating.

b. For clarification, is Mr. Moul recommending that the Commission support an A rating or an AA rating?

c. Explain the cost effect of an A rating on the ratepayer, for example, does an A rating lower any of the costs included in the revenue requirement?

d. The original question asked if Mr. Moul was familiar with any studies, articles or other documentation that support an A rating. If yes, provide the citations to the documents.

e. Provide the cost to the ratepayer for both an A and an AA rating.

14. Refer to the response to Item 16 of the Staff s Second Data Request in which Mr. Moul explains the factors involved in S&P s business profile. Explain which factors Mr. Moul believes contribute to Columbia s higher profile.

15. Refer to the response to Item 17(a) of the Staff s Second Data Request, in which Mr. Moul explains that his analysis did not take into account the Margin Loss Recovery (MLR) proposal. Provide the effect of the MLR, if approved, on Mr. Moul s assessment of Columbia s risk and any modifications to his return on equity (ROE) recommendation. Provide any workpapers.

16. Refer to the response to Item 18(b) of the Staff s Second Data Request. Mr. Moul states that his testimony was based on information that Columbia was contemplating a provision to rehabilitate the pipe system. Mr. Moul further states that his testimony was completed prior to Columbia s decision to replace the pipe replacement provision with the automated meter reading program (AMR) and therefore did not address the AMR proposal. Provide Mr. Moul s ROE recommendation and his rationale for the program as actually proposed by Columbia.

17. Refer to the response to Item 23 of the Staff s Second Data Request. Mr. Moul supplied a copy of a Pennsylvania Public Utility Commission (Pennsylvania

Commission) Order dated January 10, 2002 in which the Pennsylvania Commission accepted a leverage adjustment similar to that proposed by Mr. Moul.

a. Did Mr. Moul testify in the Pennsylvania case? If yes, provide the testimony he presented.

b. Is it correct that the Pennsylvania Commission only accepted the results of the discounted cash flow analysis, which incorporated a sixty basis point leverage adjustment?

c. Describe how the Pennsylvania Commission s reasoning is consistent with the reasoning provided in support of the leverage adjustment proposed by Mr. Moul in this proceeding.

d. Provide Mr. Moul s testimony from any cases where he proposed a similar leverage adjustment but the adjustment was not accepted. Provide the relevant sections of the orders issued in all such cases.

18. Refer to the response to Item 29(a) the Staff s Second Data Request.

a. For the test period and the four previous calendar years, provide the outstanding swaps balance and the annual interest rate.

b. Provide a detailed explanation as to why Columbia excluded capitalized leases from its capital structure as originally requested.

c. Provide the same information as requested in (a) above for the capital leases.

19. Concerning the exclusion of capital leases in Columbia s long-term and short-term debt, identify any precedents supporting the exclusion, from either this Commission or from other state regulatory commissions.

20. In its response to Item 29(c) of the Staff s Second Data Request, Columbia referenced its response to Item 100 of the Attorney General s (AG) request of June 12, 2002. However, the impact of including the swaps and capital leases would have on Columbia s weighted cost of capital and requested revenue requirement was not included in the referenced response. Provide an amended version of Schedule J-1.1 that includes swaps, capital leases, and short-term debt in Columbia s test-period capital structure. Also, provide the impact this would have on Columbia s weighted cost of capital and requested revenue requirement. Include all workpapers, calculations, and assumptions used by Columbia in its calculations.

21. Refer to the response to Item 29(f) of Staff s Second Data Request.

a. Columbia states that it would be unsuitable to use NiSource s capital structure for rate of return purposes in this proceeding because it includes debt of NiSource operating subsidiaries that are totally unrelated to Columbia. Given this response, provide a detailed explanation for why it is appropriate to use Columbia Energy capital structure, which contains debt of unrelated operating subsidiaries (e.g., Columbia of Ohio, Columbia of Maryland, etc.).

b. Since Columbia Energy is a wholly owned subsidiary of NiSource and its stock is no longer traded, explain why it is appropriate to use Columbia Energy capitalization as opposed to NiSource s.

22. Columbia s response to Item 29(h) of the Staff s Second Data Request is unresponsive. As originally requested, provide an amended version of Schedule J-1.1 that reflects NiSource s capital structure as of December 31, 2001. Also, calculate the impact the use of NiSource s capital structure would have on Columbia s weighted cost

of capital and requested revenue requirement. Provide all workpapers, calculations, and assumptions used by Columbia in its calculations.

23. Refer to the response to Item 30(a) and (b) of the Staff s Second Data Request.

a. The Commission in the three most recent gas rate proceedings has included short-term debt in the utility s capitalization.[1] In light of these Commission decisions, explain in detail why the Commission should in this case allow Columbia to exclude short-term debt from its test-period capitalization.

b. For rate-making purposes the Commission generally uses the utility s overall rate of return[2] or the weighted cost of capital in calculating the Allowance for Funds Used During Construction (AFUDC) rather than the method prescribed by FERC. In light of the Commission s rate-making treatment of AFUDC, explain in detail how the FERC AFUDC methodology would impact the decision to include or exclude short-term debt from Columbia s test-period capitalization.

c. Columbia was requested to provide a detailed explanation for why Columbia Energy s short-term debt at the end of the test period was $72,500,000 but the average test-period balance was $227,385,000 and at March 31, 2002 the

[1] See Case No. 1999-00176, An Adjustment of the Rates of Delta Natural Gas Company, Inc., Order dated December 27, 1999 at 12; Case No. 2000-00080, The Application of Louisville Gas and Electric Company to Adjust its Gas Rates and to Increase its Charges for Disconnection Service, Reconnecting Service and Returned Checks, Order dated September 27, 2000 at 55; Case No. 2001-00092, Adjustment of Gas Rates of the Union Light, Heat and Power Company, Order dated January 31, 2002 at 62.

[2] See Case No. 1997-00034, Application of Kentucky-American Water Company to Increase its Rates, Order dated September 30, 1997 at 33.

outstanding short-term debt balance was $228,600,000. However, the response failed to provide the requested explanation. Provide the detailed explanation as originally requested.

24. Refer to the response to Item 32 of the Staff s Second Data Request.

a. The response indicates Columbia has no list of the customers it is attempting to retain through its proposed MLR. Explain whether this means that Columbia has no data or knowledge of which of its retail customers have alternative fuel capabilities or that are in close enough proximity to interstate pipelines to be a bypass risk to Columbia.

b. If Columbia has no such data or knowledge, explain whether it is able to quantify the volumes it potentially has at risk. If Columbia is able to quantify the volumes it potentially has at risk, provide that information. If Columbia cannot quantify the volumes it potentially has at risk, explain why it believes an MLR is necessary.

25. Refer to the response to Item 33 of the Staff s Second Data Request, which indicates that Columbia does not know what its treatment of lost margins will be in future rate cases.

a. Explain whether Columbia anticipates that its treatment of lost margins in future rate cases will be impacted by the Commission s decision on the MLR Columbia has proposed in this case

b. Does Columbia agree that lost throughput is often treated as a part of doing business and reflected in test year billing determinants with the result being that fixed costs, to which the lost throughput had made a contribution, are thereafter allocated over remaining throughput volumes? If no, explain why Columbia disagrees.

c. With its proposed MLR Columbia is proposing that ratepayers be at risk for 50 percent of the lost margins that have heretofore been borne 100 percent by shareholders. Explain in detail why Columbia believes ratepayers should bear this risk.

26. Refer to the responses to Item 34 of the Staff s Second Data Request, and Item 156 of the AG s request of June 12, 2002, concerning the proposed changes regarding extensions of service lines.

a. Part (b) of the Staff s request asked why Columbia believes it is appropriate to make separate calculations for each individual customer. The intent of the request was to determine why Columbia believed it was necessary to make a separate calculation for each customer as opposed to using the average cost for all service line extensions as the basis for the possible customer contribution. Describe Columbia s reasoning for wanting to use individual calculations rather than an average.

b. State in detail all arguments Columbia might have for opposing the use of an average based on the cost of all service line extensions.

27. Refer to the response to Item 38 of the Staff s Second Data Request.

a. The response indicates that Columbia does not perceive there to be advantages or disadvantages to either of the two types of rate designs (customer charge vs. minimum bill). Is it correct that Columbia s rate design was changed from the customer charge method to the minimum bill method as a result of the settlement in its 1990 rate case, Case No. 1990-00063?[3]

[3] Case No. 1990-00063, Adjustment of rates of Columbia Gas of Kentucky, Inc., Order Dated October 10, 1990.

b. If the response to part (a) is yes, provide any information in Columbia s possession that explains the basis for that change.

28. Refer to the response to Item 40(b) of the Staff s Second Data Request, regarding the prospective decrease in usage by Customer 12986597-001.

a. Consider the original request a continuing request. Provide the customer s usage for June 2002 in response to this request and provide updates reflecting the monthly usage for July and August 2002, by August 15 and September 15, 2002, respectively.

b. The proposed adjustment, as described in Mr. Balmert s testimony and quantified on Workpaper WPM-E, Sheet 10 of 10, reduces the customer s usage to one-half of what it was during the test year (from 128,668 Mcf to 64,334 Mcf) for the reasons identified in the response. The month-by-month data shown in the response indicates that the reduction in usage began midway through the test year with the average monthly usage being roughly 14,000 Mcf through July 2001 and 7,000 Mcf from August 2001 through May 2002. With the last five months of the test year already reflecting the reduced usage, explain why the proposed adjustment, which appears to presume the reduction occurred at test year-end, and includes a prospective average monthly usage of roughly 5,000 Mcf, is appropriate.

29. Refer to the response to Item 41 of the Staff s Second Data Request, concerning the proposed reductions in residential and commercial volumes due to attrition.

a. Refer to the calculations for Residential Non-Heat Customer Attrition and Residential Heat Customer Attrition. Explain why for non-heat customers the calculation is based on a comparison of customer levels at December 2000 and December 2001, while for heat customers, the calculation uses a comparison of customer levels at December 2002 and December 2001.

b. Refer to the calculation for Residential Heat Customer Attrition. Identify the sources of information used to arrive at the customer additions of 1,379, the December 2001 customers of 125,625 and the December 2002 customers of 126,666.

c. Refer to the calculation for Residential Heat Customer Attrition. Explain how the 1,041 increase in customers from December 2001 to December 2002 and the customer additions of 1,379 result in an attrition number of (2,420).

d. Provide a calculation of Residential Heat Customer Attrition using a comparison of December 2000 and December 2001 customer levels as was done for Residential Non-Heat Customer Attrition.

e. Refer to the calculations for Commercial Non-Heat Customer Attrition and Commercial Heat Customer Attrition. All methods and differences in methods mirror those of the residential customer classes. Explain the methods, their differences and provide calculations for the commercial classes in the same manner as for the residential classes in parts (a) through (d) of this request.

30. Refer to the response to Item 42 of the Staff s Second Data Request, regarding the revised volumes and revenues for rate GTO-Choice-Commercial.

a. With volumes of 1,783,396.1 Mcf, rather than the 1,699,832.9 Mcf shown on Schedule M-2.2, page 1 of 42 of the application, clarify whether Current Revenue Less Gas Cost Revenue of $55,633,827.23 shown on page 2 of 42 of that schedule is properly restated in the amount of $55,802,977.92.

b. With volumes of 1,783,396.1 Mcf, rather than the 1,699,832.9 Mcf shown on Schedule M-2.3, page 1 of 42 of the application, clarify whether Proposed Revenue Less Gas Cost Revenue of $58,137,031.66 shown on page 2 of 42 of that schedule is properly restated in the amount of $58,313,801.51.

31. Refer to the response to Item 43 of the Staff s Second Data Request. Concerning the line item Current Read Cost/Meter, provide the calculations that support the amounts shown as Current Read Cost/Meter for each city shown. Include a description of how the amount was calculated.

32. Refer to the response to Item 44 of the Staff s Second Data Request.

a. Concerning Item 44(a), explain in detail why the meter reading outsourcing savings decreases for the years 2000 and 2001.

b. Concerning Item 44(b), explain in detail why the outsourced meter reading expenses are increasing for Kentucky Utilities Company for 2000 and 2001.

33. Refer to the response to Item 46(d) of the Staff s Second Data Request and the Direct Testimony of Kimra H. Cole, page 13, lines 13 and 14.

a. Using the data presented in the response to Item 46(d) for the total 2001 year, calculate the percentage that the rereads represent of the total meter reads for each company. State percentage in per thousand rate.

b. Provide the same percentage for the total rereads based on total meters read.

c. In light of the percentages calculated based on the response to Item 46(d) and Item 47, explain how the Commission was to interpret the statement in the Cole testimony that there was an error rate of seven per thousand.

34. Refer to the response to Item 48 of the Staff s Second Data Request.

a. What has been Columbia s success in customer buy-in historically? Does the term buy-in as used in these questions mean the customer s acceptance of the alternative offered by Columbia?

b. What is Columbia s expectation of customer buy-in for the AMR?

c. Provide examples of programs that Columbia has initiated to obtain a high degree of customer buy-in before the program was started?

d. Does the possibility exist that with the implementation of the AMR customers will substitute computer glitch for human error as a reason for dissatisfaction with their gas bills? Explain the response.

35. Refer to the response to Item 49(a) of the Staff s Second Data Request.

a. Based on the information provided in the chart, provide the percentage of inquiries completely resolved by the Customer Service Representative and those inquiries that required an investigation.

b. How many of the 5,768 investigations were meter reading errors?

36. Refer to the response to Item 50 of the Staff s Second Data Request and the Cole Direct Testimony, page 14, lines 9 through 13. Cole Testimony, page 14, lines 9 through 13, states this means that arrangements by the customer to provide access to the meter is only required for one company each month rather than two .This has enhanced service by simplifying matters for our customers. Explain how the AMR program will enhance the customer s perception of safety and meter reading validity.

37. Refer to the response to Item 39 of the AG s request of June 12, 2002. This response indicates that Columbia is already engaged in a program of relocating customer meters from inside the home to outside the home.

a. Indicate how long Columbia has had a program in place to relocate customer meters to the outside of homes.

b. If Columbia has already been relocating customer meters to the outside of homes, explain why Columbia in its promotion of the AMR stressed the benefit of meter relocation as a significant benefit.

38. Refer to the response to Item 50 of the Staff s Second Data Request. Columbia was requested to provide the cost benefit analysis used to determine that the implementation of AMR will be more beneficial than outsourcing. The requested analysis was not provided. Provide the cost benefit analysis originally requested, and include all workpapers, assumptions, and other documentation that support the analysis.

39. Refer to the response to Item 52 of the Staff s Second Data Request. Provide the workpapers, assumptions, and other documentation that support the amounts provided in this response.

40. Refer to the response to Item 55(c) of the Staff s Second Data Request. Columbia was requested to describe the income tax impacts of the funding approach for its proposed AMR. The response does not address the question. Columbia has proposed to utilize savings in depreciation expense to fund its proposed AMR, with the possible creation of a regulatory liability and the recognition of contributions in aid of construction. Columbia was requested to discuss the income tax effects of this funding

proposal, not when income taxes are recognized. With this clarification, provide the originally requested description of income tax impacts of the proposed AMR funding.

41. Refer to the response to Item 56 of the Staff s Second Data Request. For purposes of this question, assume that the adoption of SFAS 143 resulted in depreciation expense being $1,000,000 lower than the amount included in this application. Explain how Columbia would make up the difference in the funding of its proposed AMR.

42. Refer to the response to Items 57(b) and 57(f) of the Staff s Second Data.

a. Concerning the response to Item 57(b), identify the local distribution company that is the size of Columbia.

b. Concerning the response to Item 57(f), provide all workpapers, assumptions, and other supporting documentation that support the values contained in the chart.

c. Assuming that the AMR program is started when proposed, provide for each vehicle associated with meter reading the estimated miles for all meter reading routes for the year 2006.

d. Assuming that the AMR program is started when proposed, for all meter reader man/hours, provide the estimated labor and overhead expenses for the year 2006.

43. Refer to the response to Item 59 of the Staff s Second Data Request. Provide the cite[s] to the Generally Accepted Accounting Principal[s] that require Columbia to establish a side record to track the merger costs and savings.

44. Refer to the response to Item 60(a) of the Staff s Second Data Request.

a. Provide an itemized schedule that clearly identifies the detailed costs that make up the following corporate billings for the billing period ending January 2001.

(1)	Legal p. 1	$	47,233
(2)	Environment Affairs p. 1	$	17,639
(3)	Building & Administration p. 2	$	73,860
(4)	BSIT Telecommunications Services p. 2	$	204,097
(5)	BSIT IT p. 2	$	1,226,050
(6)	Merger Expense Building Writedown p. 3	$	691,026

b. Provide an itemized schedule that clearly identifies the detailed costs that make up the following corporate billings for the billing period ending January 2002.

(1)	Legal p. 1	$	559,742
(2)	Finance & Strategy Dist p. 1	$	229,235
(3)	Marketing Dist. P. 1	$	179,911
(4)	Communications Dist. P. 1	$	203,265
(5)	Information Technology Dist.	$	376,701
(6)	Regulatory & Governmental Dist. P. 1	$	227,903
(7)	BSIT Telecommunications Services p. 2	$	650,027
(8)	BSIT IT p. 2	$	1,724,274
(7)	Stock Options Non-Merger p. 2	$	424,020
(8)	Buildings & Admin. Dulles (Sale) p. 2	$	378,788

c. Provide a detailed explanation for why Columbia has included the category Energy Distribution Group Services in its determination of merger savings. Also, explain why this category increased from $65,717 in 2000 to $1,217,015 in 2001, an increase of approximately 1,752 percent.

d. Provide a detailed explanation for why Columbia has included the category Merchant Services in its determination of merger savings. Also, explain why this category increased from $47,369 in 2000 to $428,715 in 2001, an increase of approximately 805 percent.

e. Provide a detailed explanation for the $74,447 of normalized staffing billed to Columbia in the billing period ending January 2002

45. Refer to the response to Item 61 of the Staff s Second Data Request and to Item 7 of the AG s Request of June 12, 2002.

a. Item 61(a) requests copies of any analysis or study performed by Columbia to identify the recoverable merger costs. In its response, Columbia identified Attachment TJT-3 as the study it performed to identify the recoverable merger costs. However, Attachment TJT-3 is actually a schedule listing the results of the study and not the study that was performed. Provide a copy of the study Columbia performed to achieve these results and a complete description of the process used by Columbia in performing and developing its study.

b. Item 61(d) requests for each listed category a detailed explanation as to why Columbia believes that it is a merger-related cost that it should be allowed to recover from the ratepayers. However, Columbia only provided a general explanation for why the total costs listed should be recovered from its ratepayers. For each category listed below, provide the amount of merger savings that is a direct result of the merger cost incurred.

(1) Retention

(2) Severence

(3) Job Placement

(4) Relocation Costs

(5) Columbia/NiSource Integrate

(6) IT NiSource Integrate

(7) Civic Center Floor Write-Off

(8) Building & Admin Dulles (Sales)

(9) Employee Transportation Expense

(10) Mainframe Consolidation

c. Provide a detailed description of the civic center floor write-off of $691,025, including the lease holder and if any Columbia Energy or NiSource subsidiaries remain at this location.

d. Columbia has included relocation costs of $202,436 in recoverable merger costs. In its previous decisions the Commission has not permitted the recovery of employee moving expenses for rate-making purposes. Provide a detailed explanation of why the Commission should deviate from its past practice. Include an explanation of the benefits the ratepayers derived from the employee relocation.

46. Refer to the response to Item 61 of the Staff s Second Data Request and Items 1 and 7 of the AG s Request of June 12, 2002.

a. Columbia identifies integration project charges as non-recoverable merger costs. Provide a detailed explanation as to why Columbia has included Columbia/NiSource Integrate costs of $47,732 and IT NiSource Integrate costs of $15,985 as recoverable merger costs.

b. Columbia s merger tracking mechanism lists retention agreements, change in control payments, stock options, severance, job placement and tax-related charges as merger-related expenses that will not be recovered from customers, but these same costs are included as recoverable merger costs in the responses to Item 61(b) and (c). Provide a complete and detailed explanation for the apparent conflict between the two responses.

47. Refer to the response to Item 63(e) of the Staff s Second Data Request. Provide the basis for Columbia s statement that Kentucky Utilities/ Louisville Gas & Electric Company merger sharing was initially 50/50 but subsequently was changed to a 40/60 split of net savings.

48. Refer to the response to Item 64(a) of the Staff s Second Data Request.

a. Provide a schedule comparing in detail the merger synergies/savings that were actually achieved by NiSource as a whole in 2001 with the projected $97.6 million.

b. Provide a schedule showing how the projected synergies/savings were allocated to the operating subsidiaries.

c. Of the $97.6 million in synergies/savings that were projected to occur in 2001, explain why it is reasonable that Columbia only received $291,187 in synergies/savings or approximately 0.3 percent.

49. Refer to the response to Item 65 of the Staff s Second Data Request. Provide a copy of the 1994 stipulation where Columbia agreed to either absorb 8.29 percent of transition obligation or where Columbia was denied recovery of the 8.29 percent for rate-making purposes.

50. Refer to the response to Item 66 of the Staff s Second Data Request.

a. If there is no adjustment to rate via a rate proceeding, isn t it correct that Columbia will continue to recover a sizable cost that it is no longer incurring? Include a detailed explanation to Columbia s response.

b. Columbia argues that after Other Postretirement Employee Benefits (OPEB) amortization is discontinued after the accelerated 3-year amortization period, there will be a lower cost of service requirement at that time. However, if the amortization period remains for the length of time Columbia originally stipulated, the ratepayers will receive the lowered cost of service now, rather than later. Provide a detailed explanation for why Columbia s ratepayers should wait for the reduction in OPEB costs.

51. Refer to the response to Item 67 of the Staff s Second Data Request and page 9 of the Prepared Direct Testimony of Jeffery T. Gore. Mr. Gore states that Columbia s on-going OPEB costs for 2002 are $517,000. However, according to Columbia s actuarial report, Due to the well-funded nature of the plan, the minimum required contribution and maximum deductible contribution are both zero. Provide a detailed explanation for the conflict between the actuarial report and the amount of OPEB funding Columbia is proposing.

52. Refer to the response to Item 70(b) of the Staff s Second Data Request.

a. Provide a detailed listing of the non-labor costs that are being paid by Columbia Gas of Ohio (Columbia Ohio) and being billed to Columbia.

b. Explain why Columbia Ohio is billing Columbia for these services rather than the corporate service company.

53. Refer to the response to Item 70(c) of the Staff s Second Data Request.

a. In Case No. 2001-00092, the Commission determined that the proper accounting classification of this transaction should be dependent upon what the payment of the PSC Assessment represents to the utility and not the fact that the Commission s ongoing operations are funded by the assessment. Therefore, the Commission viewed the payment of the PSC Assessment as a payment of a tax liability, like income taxes, rather than the prepayment of an expense, like insurance. Provide a detailed explanation defending Columbia s position that the payment of the PSC Assessment is prepayment of an expense.

b. Provide a narrative explanation of why the PSC Assessment should not be recorded as an accrued liability rather than a prepayment.

54. In the responses to Item 72 of the Staff s Second Data Request, Columbia references a workforce reduction occurring between January 2000 and December 2001 resulting in a reduction in Columbia s workforce from 266 to 190 employees. Provide detailed documentation to show that the work force reduction has been reflected in the pro forma test-period expenses on an annualized level.

55. Refer to the response to Item 74 of the Staff s Second Data Request. Provide a detailed explanation for why the regular and overtime hours are not available for the years 1997, 1998, and 1999.

56. Refer to the response to Item 76(b) of the Staff s Second Data Request. Provide calculations and workpapers to support Columbia s estimated uncollectible accrual rate of .835855 percent.

57. Refer to the response to Item 77 of the Staff s Second Data Request.

a. For each reporting requirement listed in Attachment 2, explain in detail why Columbia believes it to be only related to the transition period between the approval of the merger and this rate case proceeding.

b. Has Columbia reviewed the reporting requirements imposed in other energy mergers approved by this Commission?

c. Given the changes that have occurred in the funding of the Gas Technology Institute, explain if Columbia contemplating any changes in its funding of research and development.

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P.O. Box 615
Frankfort, Kentucky 40601

Dated: _July 11, 2002

cc: Parties of Record