

COLUMBIA GAS OF KENTUCKY, INC.
UPDATED RESPONSE TO STAFF'S SECOND REQUEST FOR
INFORMATION
DATED JULY 8, 2016

4. Refer to the Miller Testimony, page 13, line 1, where Columbia's proposal to seek recognition and recovery in the forecasted test period of the positive 5.3 percent slippage factor which it experienced over the past ten years for capital expenditures is discussed. Also refer to the Direct Testimony of Eric T. Belle ("Belle Testimony") and the Direct Testimony of S. Mark Katko ("Katko Testimony").

a. Provide a breakdown of Columbia's budgeted and actual capital expenditures for the ten years mentioned in the Miller Testimony. Where applicable, separate the capital expenditures broken down by Accelerated Main Replacement Program ("AMRP") and non-AMRP capital investments.

b. Explain what steps Columbia has taken to mitigate the positive slippage factor over this ten-year period.

c. Explain why Columbia believes that using the prior ten years' positive slippage factor is a better indicator of capital investment than its own internal planning processes.

d. For the three most recent historical fiscal years. 2013, 2014, and 2015, provide side-by-side monthly comparisons of budgeted additions to gross plant and actual additions to gross plant broken down by AMRP and non-AMRP capital expenditures.

e. For the available months of fiscal year 2016, provide a side-by-side monthly comparison of budgeted and actual additions to gross plant broken down by AMRP and non-AMRP capital investments. This should be considered an ongoing request to be updated monthly.

f. The forecasted test year in Columbia's most recent general rate case, Case No. 2013-00167, was the 12 months ended December 31, 2014. The 13-month average of total utility plant included in the net investment rate base filed by Columbia in that proceeding was \$356,161,789. Provide Columbia's actual 13-month average of total utility plant for that period. Include the actual monthly amounts and the calculation of the 13-month average balance in the response.

Response:

- a. Please see Staff 2-4 Attachment A.
- b. Columbia's Capital Planning Group develops a tactical plan that identifies the number of crews required to meet the budgeted spend and conducts quarterly meetings to discuss potential revisions to that plan based on actual costs.

Monthly progress on the plan is reported by Financial Planning and monitored by several groups including Capital Planning and Engineering. Engineering conducts a monthly grass roots budget review of each individual job order and blanket job type that comprise the five budget categories and considers project deferrals or additions based on the most current cost projections. Additionally, Engineering may make recommendations to move dollars from one budget category to another based on actual and projected expenditures and required project completion dates. These actions are intended to meet Columbia's budget by year end.

- c. Columbia has relied on Commission precedent to recognize both positive and negative slippage. *See, In the Matter of: Application of Kentucky American Water Company for an Adjustment of Rates Supported by a Fully Forecasted Test Year, Case No. 2012-00520, 2013 Ky. PUC LEXIS 936, Order (October 25, 2013).* Columbia believes that disciplined capital planning and execution are optimal goals. However, year-to-year adjustments due to differences in weather, unexpected construction costs, permitting and scheduling demands of state and municipal officials, and the like, can result in investment changes that are not on a predictable projection.
- d. Please see Staff 2-4 Attachment B.
- e. Please see Staff 2-4 Attachment C for the July update.

f. Please see Staff 2-4 Attachment D.

Columbia Gas of Kentucky, Inc.
Capital Expenditures
2016 Budget v. Actual by Month
(\$000)

	2016								
	AMRP			Non-AMRP			Total		
	Budget	Actual	Inc (Dec)	Budget	Actual	Inc (Dec)	Budget	Actual	Inc (Dec)
January	588	994	406	453	975	522	1,041	1,968	928
February	300	908	608	826	1,132	306	1,126	2,040	914
March	350	1,367	1,017	1,128	1,556	428	1,478	2,922	1,445
April	550	2,374	1,824	1,175	1,821	645	1,725	4,194	2,469
May	950	2,039	1,089	990	1,295	305	1,940	3,334	1,394
June	1,300	2,183	883	1,521	726	(795)	2,821	2,909	88
July	1,344	1,366	22	1,594	676	(918)	2,938	2,042	(896)
Total Year-to-Date	5,382	11,230	5,848	7,688	8,180	492	13,070	19,411	6,340