

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:)
)
APPLICATION OF COLUMBIA GAS) Case No. 2016-00162
OF KENTUCKY, INC. FOR AN)
ADJUSTMENT OF RATES)

APPLICATION FOR ADJUSTMENTS IN RATES

Pursuant to KRS § 278.180 and KRS § 278.190, Columbia Gas of Kentucky, Inc. ("Columbia") hereby submits the instant Application for Adjustment in Rates ("Application") to become effective June 27, 2016, in conformity with this Application and the attached schedules. Columbia respectfully states:

(A) Columbia's corporate headquarters and principal Kentucky office are located at 2001 Mercer Road, Lexington, Kentucky, 40511-1018, and its mailing address is P.O. Box 14241, Lexington, KY 40512-4241. Columbia's electronic mailing address is pscmailcky@nisource.com.

(B) Columbia is a corporation organized and existing under the laws of the Commonwealth of Kentucky. Columbia's full name is Columbia Gas of Kentucky, Inc. Columbia was incorporated on October 11, 1905. Columbia attests that it is a corporation in good standing in Kentucky. A Certificate of Existence

issued by the Office of the Secretary of State on May 16, 2016 is found at Tab No. 1 of the Filing Requirements. A certified copy of Columbia's articles of incorporation was filed with the Commission in Case No. 2013-00066.

(C) Columbia conducts business only under its real name: Columbia Gas of Kentucky, Inc. As a result, no certificate of assumed name is required pursuant to KRS § 365.015.

(D) Columbia is engaged in the distribution and sale of natural gas, as well as the transportation of customer-owned volumes of gas, in the following Kentucky counties: Bath, Bourbon, Boyd, Bracken, Carter, Clark, Clay, Estill, Fayette, Floyd, Franklin, Greenup, Harrison, Jessamine, Johnson, Knott, Lawrence, Lee, Letcher, Lewis, Madison, Martin, Mason, Montgomery, Nicholas, Owsley, Pike, Robertson, Scott, and Woodford.

(E) Columbia's last application to adjust rates was filed on May 29, 2013, in Case No. 2013- 00167, which was resolved by a settlement agreement adopted by the Commission in an Order dated December 13, 2013. Since Columbia's 2013 rate case Columbia will have increased its average rate base by \$50,062,282, from the 13-month average rate base of \$203,298,499 requested in the 2013 rate case to the 13 month average rate base of \$253,360,781 requested in this case. Pursuant to 807 KAR 5:001, Section 16(1)(b)(1), the requested rate increase is required to recover in

rates: Columbia’s ongoing effort to make capital investments for the safety and reliability of its gas distribution system; payment of debt; revised depreciation rates; and the increased operating costs related to operational compliance standards, enhanced employee training, public protection measures and related costs. The request for an adjustment of rates is also being driven by Columbia’s efforts to enhance the safety of its system. The proposed rate adjustment is necessary to enable Columbia to continue providing safe, reasonable and adequate service to its customers, and to afford Columbia a reasonable opportunity to earn a fair return on its investment property which is used to provide that service. A more detailed explanation of the reasons for this Application is contained in the testimony filed with this Application.

(F) Columbia hereby gives notice to the Public Service Commission of the adjustment of its rates as set forth in Schedule M in the total amount of \$25,408,373 on an annual basis, to become effective with service rendered on and after June 27, 2016. The percentage of increase will approximate 27.41% to Columbia. The estimated amount of increase per customer class is as follows:

Residential	\$16,386,249	27.90%
Commercial	\$6,535,005	24.66%
Industrial	\$2,346,965	37.81%
Wholesale	\$8,106	16.95%
Other	\$132,048	11.00%

Schedules L, M and Attachment MPB-3 contain a comparison of the existing and proposed rates.

(G) Columbia further supports its request for a change in its existing rates and tariffs with the following schedules and exhibits:

<u>Tab</u>	<u>Filing Requirement</u>	<u>Description</u>
1	807 KAR 5:001 Section 14-(1)	Name, Address, Facts
1	807 KAR 5:001 Section 14-(2)	Corp. - Incorporation, Good Standing
1	807 KAR 5:001 Section 14-(3)	LLC - Organized, Good Standing
1	807 KAR 5:001 Section 14-(4)	LP - Agreement
2	807 KAR 5:001 Section 16-(1)(b)1	Reason for Rate Adjustment
3	807 KAR 5:001 Section 16-(1)(b)2	Certificate of Assumed Name
4	807 KAR 5:001 Section 16-(1)(b)3	Proposed Tariff
5	807 KAR 5:001 Section 16-(1)(b)4	Proposed Tariff Changes
6	807 KAR 5:001 Section 16-(1)(b)5	Statement about Customer Notice
7	807 KAR 5:001 Section 16-(2)	Notice of Intent
8	807 KAR 5:001 Section 16-(6)(a)	Financial Data
9	807 KAR 5:001 Section 16-(6)(b)	Forecasted Adjustments
10	807 KAR 5:001 Section 16-(6)(c)	Capital, Net Investment Rate Base
11	807 KAR 5:001 Section 16-(6)(d)	No Revisions to Forecast
12	807 KAR 5:001 Section 16-(6)(e)	Alternative Forecast
13	807 KAR 5:001 Section 16-(6)(f)	Reconciliation of Rate Base and Capital
14	807 KAR 5:001 Section 16-(7)(a)	Testimony
15	807 KAR 5:001 Section 16-(7)(b)	Capital Construction Budget
16	807 KAR 5:001 Section 16-(7)(c)	Factors Used in Preparing Forecast
17	807 KAR 5:001 Section 16-(7)(d)	Annual and Monthly Budget
18	807 KAR 5:001 Section 16-(7)(e)	Statement of Attestation
19	807 KAR 5:001 Section 16-(7)(f)	Major Construction Projects
20	807 KAR 5:001 Section 16-(7)(g)	Other Construction Projects
21	807 KAR 5:001 Section 16-(7)(h)	Financial Forecasts
22	807 KAR 5:001 Section 16-(7)(h)1	Operating Income Statement
23	807 KAR 5:001 Section 16-(7)(h)2	Balance Sheet

<u>Tab</u>	<u>Filing Requirement</u>	<u>Description</u>
24	807 KAR 5:001 Section 16-(7)(h)3	Statement of Cash Flows
25	807 KAR 5:001 Section 16-(7)(h)4	Revenue Requirement
26	807 KAR 5:001 Section 16-(7)(h)5	Load Forecast
27	807 KAR 5:001 Section 16-(7)(h)6	Access Line Forecast (Telephone)
28	807 KAR 5:001 Section 16-(7)(h)7	Mix of Generation (Electric)
29	807 KAR 5:001 Section 16-(7)(h)8	Mix of Gas Supply (Gas)
30	807 KAR 5:001 Section 16-(7)(h)9	Employee Level
31	807 KAR 5:001 Section 16-(7)(h)10	Labor Cost Changes
32	807 KAR 5:001 Section 16-(7)(h)11	Capital Structure Requirements
33	807 KAR 5:001 Section 16-(7)(h)12	Rate Base
34	807 KAR 5:001 Section 16-(7)(h)13	Gallons of Water Projected (Water)
35	807 KAR 5:001 Section 16-(7)(h)14	Customer Forecast (Gas, Water)
36	807 KAR 5:001 Section 16-(7)(h)15	Sales Volume Forecasts (Gas)
37	807 KAR 5:001 Section 16-(7)(h)16	Toll and Access Forecast (Telephone)
38	807 KAR 5:001 Section 16-(7)(h)17	Detailed Explanation of Other Info
39	807 KAR 5:001 Section 16-(7)(i)	FERC Audit Reports
40	807 KAR 5:001 Section 16-(7)(j)	Stock or Bond Prospectuses
41	807 KAR 5:001 Section 16-(7)(k)	FERC Form 1, 2
42	807 KAR 5:001 Section 16-(7)(l)	Annual Reports to Shareholders
43	807 KAR 5:001 Section 16-(7)(m)	Current Chart of Accounts
44	807 KAR 5:001 Section 16-(7)(n)	Monthly Managerial Reports
45	807 KAR 5:001 Section 16-(7)(o)	Monthly Budget Variance Reports
46	807 KAR 5:001 Section 16-(7)(p)	SEC Reports (10-Ks, 8-Ks, 10-Qs)
47	807 KAR 5:001 Section 16-(7)(q)	Independent Auditor's Annual Opinion
48	807 KAR 5:001 Section 16-(7)(r)	Quarterly Reports to Stockholders
49	807 KAR 5:001 Section 16-(7)(s)	Summary of Latest Depreciation Study
50	807 KAR 5:001 Section 16-(7)(t)	Computer, Software, Hardware, etc.
51	807 KAR 5:001 Section 16-(7)(u)	Affiliate, et. al., Allocations/Charges
52	807 KAR 5:001 Section 16-(7)(v)	Cost-of-Service Study
53	807 KAR 5:001 Section 16-(7)(w)	Incumbent Local Exchange Carriers
54	807 KAR 5:001 Section 16-(8)(a)	Financial Summaries
55	807 KAR 5:001 Section 16-(8)(b)	Rate Base Summaries
56	807 KAR 5:001 Section 16-(8)(c)	Operating Income Summaries
57	807 KAR 5:001 Section 16-(8)(d)	Summary of Income Adjustments

<u>Tab</u>	<u>Filing Requirement</u>	<u>Description</u>
58	807 KAR 5:001 Section 16-(8)(e)	Federal & State Income Tax Summaries
59	807 KAR 5:001 Section 16-(8)(f)	Summary of Membership Dues, etc.
60	807 KAR 5:001 Section 16-(8)(g)	Analyses of Payroll Costs
61	807 KAR 5:001 Section 16-(8)(h)	Gross Revenue Conversion Factor
62	807 KAR 5:001 Section 16-(8)(i)	Comparative Income Statements, etc.
63	807 KAR 5:001 Section 16-(8)(j)	Cost of Capital Summary
64	807 KAR 5:001 Section 16-(8)(k)	Financial Data and Earnings Measures
65	807 KAR 5:001 Section 16-(8)(l)	Narrative Description of Tariff Changes
66	807 KAR 5:001 Section 16-(8)(m)	Revenue Summary
67	807 KAR 5:001 Section 16-(8)(n)	Typical Bill Comparison
68	807 KAR 5:001 Section 17-(1)	Sample Notices Posted
68	807 KAR 5:001 Section 17-(2)	Method of Customer Notice
68	807 KAR 5:001 Section 17-(3)	Proof of Customer Notice
68	807 KAR 5:001 Section 17-(4)	Customer Notice Information
68	807 KAR 5:001 Section 17-(5)	Abbreviated Notice

(H) As authorized by KRS § 278.192(1), and for the purpose of justifying the rates proposed herein, Columbia has utilized a forecasted test period consisting of the twelve months ended December 31, 2017, which corresponds to the first twelve consecutive calendar months the proposed rates will be in effect after the six-month suspension of the proposed rates. Columbia has used a base period consisting of the twelve months ended August 31, 2016. The base period begins not more than nine months prior to the date of the filing of this Application, and is a period consisting of not less than six months of actual historical data and not more than six months of estimated data, all as authorized by KRS § 278.192(2)(a). As

required by KRS § 278.192(2)(b), within 45 days after the end of the base period, Columbia will file the actual results for the estimated months.

(I) Columbia's annual reports, including the annual report for 2015, are on file with the Commission in accordance with 807 KAR 5:006, Section 4.

(J) Columbia has filed with the Public Service Commission a written notice of its intention to file this rate application. The notice stated that the application would be supported by a fully forecasted test period and was filed with the Commission on April 27, 2016, at which time an electronic copy was served upon the Utility Intervention and Rate Division of the Attorney General's office via email, as required by 807 KAR 5:001, Section 16(2)(c). A copy of that notice is identified as the Filing Requirement 16-(2).

(K) Columbia has complied with 807 KAR 5:001, Section 17(2)(b)(3) by publishing in newspapers of general circulation in its service area, a copy of the Notice identified as in the Filing Requirement 17-(4), for publication once a week for three consecutive weeks in a prominent manner, the first of said publications to be made no later than the date of this Application.


(L) As required by 807 KAR 5:001, Section 17(1)(a)-(c), Columbia has posted a copy of the Notice contained in Filing Requirement 17-(4) at its place of business on May 27, 2016, and it will remain posted until the Commission has final-

ly determined Columbia's rates. Additionally, Columbia will post a copy of the Notice on its website within five days of the date of this Application, and will also include on its website a hyperlink to the location on the Commission's website where the case documents are available.

This Application is filed under the provisions of KRS §§ 278.180 and 278.190, and 807 KAR 5:001, Section 16. Columbia respectfully asks the Commission to find and order that the proposed rates are fair, just, and reasonable pursuant to KRS § 278.030(1).

Dated at Columbus, Ohio, this twenty-seventh day of May, 2016.

Respectfully submitted,
COLUMBIA GAS OF KENTUCKY, INC.

By: 
Stephen B. Seiple, Assistant General Counsel

Brooke E. Wancheck,
Assistant General Counsel
Stephen B. Seiple, Assistant General Counsel
Joseph M. Clark, Senior Counsel
P.O. Box 117
290 W. Nationwide Blvd.
Columbus, Ohio 43216-0117
Telephone: (614) 460-4648
Fax: (614) 460-8403
E-mail: bleslie@nisource.com
sseiple@nisource.com
josephclark@nisource.com

Lindsey W. Ingram III
Stoll Keenon Ogden PLLC
300 West Vine Street, Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3982
Fax: (859): 246-3672
Email: l.ingram@skofirm.com

Richard S. Taylor
225 Capital Avenue
Frankfort, Kentucky 40601
Telephone: (502) 223-8967
Fax: (502) 226-6383
Email: attysmitty@aol.com

Attorneys for
COLUMBIA GAS OF KENTUCKY, INC.