Columbia Exhibit No.______

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 AD-	)	
JUSTMENT OF RATES	)	

PREPARED REBUTTAL TESTIMONY OF MARK P. BALMERT ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.

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October 21, 2016

PREPARED REBUTTAL TESTIMONY OF MARK P. BALMERT

Q: Please state your name, position of employment and business address.

A: My name is Mark P. Balmert, and I am Director of Rate and Regulatory Services for NiSource Corporate Services Company ("NCSC"). My business address is 290 W. Nationwide Blvd., Columbus, Ohio 43215.

Q: Did you file Direct Prepared Testimony in this proceeding?

A: Yes, I did.

Q: What is the purpose of your Rebuttal Testimony in this proceeding?

A: In my rebuttal testimony, I will be addressing several arguments and conclusions presented in the direct testimony of Kevin C. Higgins, witness for Kentucky Industrial Utility Customers, Inc. ("KIUC") on the revenue allocation to and the rate design of rate schedule IS/DS.

Q: On page 3 and 4 of Mr. Higgins' direct testimony, he makes 6 conclusions and recommendations. In the 4th conclusion on page 4, Mr. Higgins states "Columbia is effectively forcing the standard rate DS customers to singlehandedly absorb the cost of holding the DS Flex

Provision and Special Rate customers' rates constant." Does Columbia agree with this statement?

A: No**.** In fact quite the opposite is true. First, Columbia has not attempted to separate the DS Flex Provision and Special Rate customers from the rest of the DS customers in its allocated cost of service studies for reasons stated in Mr. Notestone's rebuttal testimony. However for the sake of addressing Mr. Higgins' conclusion I will use Mr. Higgins' Exhibit KCH-2, Page 5 of 5 to prove that his conclusion is not true.

Mr. Higgins shows on Exhibit KCH-2, Page 5 of 5 line 6, Column d that the IS/DS class that excludes the FLEX/SC3 customers requires an increase of $2,211,471 to achieve the requested rate of return in this rate case (i.e. a unitized rate of return of 1.0). Columbia is requesting an increase of $2,090,725 to the IS/DS rate schedule in this case. (See Attachment MPB-1, Page 4, Line 16, Column 4). As a result, after assigning an increase of $2,090,725 of revenue requirement to the IS/DS rate class excluding the FLEX/SC3 customers, the class will still be subsidized by all other rate classes by $120,746 ($2,211,471 - $2,090,725) assuming Mr. Higgins' exhibit is accurate.

Using Mr. Higgins' numbers, all rate classes other than the IS/DS rate class will be subsidizing the IS/DS non-flex customers by $120,746 in addition to subsidizing the entire $2,098,816 Mr. Higgins has calculated as the shortfall in Exhibit KCH-2, Page 5 of 5 Line 7 that the FLEX/SC3 customers require to achieve the requested rate of return in this rate case.

In summary, Mr. Higgins' numbers show that even after Columbia's proposed revenue requirement increase to the customers in the IS/DS rate class who are not flexing and are not on a special rate ("IS/DS non-flex"), these customers will not be absorbing any of the $2,098,816 shortfall produced from the FLEX/SC3 customers, and in fact $120,746 of the costs to serve IS/DS non-flex customers will be absorbed by all other rate classes.

Q: If Columbia's IS/DS proposed rates require a subsidy from other rate classes in order for Columbia to have a reasonable opportunity to achieve its requested rate of return, should Columbia allocate more revenue requirement to the IS/Ds rate class?

A: No. Columbia's proposed IS/DS rates produce a 41.48% increase to the non-flex customers within the rate class. The total company average increase is 36.69%. To increase the IS/DS non-flex customers more than 41.48% would be beyond the principle of gradualism.

Q: Has Columbia updated its rate design from the original filing in this rate case?

A: Yes. In response to Staff data request Set 3 No. 3 Columbia had identified Customer 12 and Customer 14 as shown in the response as customers who were billed minimum bill revenue but the minimum bill revenue was not included in Columbia's original filing. As a result, Columbia's revenue requirement is reduced and an updated rate design reflects the reduced revenue requirement. Please see Attachment MPB-1R to this rebuttal testimony for Columbia's resulting updated rate design.

Q: The 5th conclusion on Page 4 of Mr. Higgins' direct testimony is that he recommends that the DS, GSO/GTO/GDS, and IUS classes receive increases of 5% below the average increase for schedules proposed to receive a rate increase by Columbia. Does Columbia agree with Mr. Higgins?

A: No. As stated in Mr. Notestone's rebuttal testimony, Columbia believes that the allocated cost of service studies filed by the Company as Attachments CEN-1, CEN-2, and CEN-3 are correct and no changes are necessary. Based on Attachment CEN-3 (Average study), the unitized rate of returns at current rates for the GSO/GTO/GDS, IS/DS, and IUS rate classes are shown in Table 1 below:

Table 1[1]

Rate Class	Unitized Return	Return on Rate Base
GSO/GTO/GDS	3.70	8.70%
IS/DS	0.19	0.44%
IUS	3.19	7.50%

Using Columbia's Average study, Mr. Higgins splits the IS/DS rate class between IS/DS non-flex customers and FLEX/SC3 (flex and special contract) customers. The resulting unitized returns are shown on Mr. Higgins' Exhibit KCH-2, Page 5 of 5 in Column c. As stated above, Columbia has not performed a study that splits the IS/DS from the FLEX/SC3 customers, however for the sake of addressing Mr. Higgins' recommendation of assigning the same percentage increase of revenue requirement to the IS/DS non-flex customers as the GSO/GTO/GDS and

IUS customers, I have created Table 2 using Mr. Higgins' numbers from his Exhibit KCH-2. Table 2 below shows Mr. Higgins' unitized returns along with the return on rate base his returns produce:

Table 2

Rate Class	Unitized Return	Return on Rate Base
GSO/GTO/GDS	3.70	8.70%
IS/DS	1.03	2.42%
FLEX/SC3	(1.59)	(3.74%)
IUS	3.19	7.50%

Table 2 shows that the returns produced by Mr. Higgins' IS/DS non-flex customer group are less than a third of the returns produced the GSO/GTO/GDS and IUS classes. Based on Mr. Higgins' results, it would be inequitable for the IS/DS class to be assigned the same percentage increase in revenue requirement as the GSO/GTO/GDS and IUS classes even if the FLEX/SC3 customers were separated from the IS/DS rate class.

Q: Using Mr. Higgins' data, what would the unitized returns of the three rate classes be if Mr. Higgins recommended 32.68% increase in revenue

[1] Attachment CEN-3, Page 4.

requirement shown in Table KCH-3 on Page 15 of his direct testimony was accepted?

A: Table 3 below shows the calculated unitized returns at Mr. Higgins' proposed 32.68% increase for each of the GSO/GTO/GDS, IS/DS (without flex), and IUS rate classes:

Table 3

	GSO/GTO/ GDS	IS/DS (excl. Flex)	IUS
Revenue Requirement Increase (Table KCH-3)	$6,122,118	$1,510,269	$7,360
Gross Conversion Factor	1.655089	1.655089	1.655089
Income Deficiency	$3,698,966	$912,500	$4,447
Net Operating Income @ Current Rates	$4,995,219	$535,305	$7,338
Net Operating Income @ Requested Return	$8,694,185	$1,447,805	$11,785
Rate Base	$57,415,257	$22,252,901	$97,824
Higgins' Rate of Return Requested	15.14%	6.51%	12.05%
Higgins' Proposed Unitized Return	1.80	0.77	1.43

Mr. Higgins' proposed unitized return for the GSO/GTO/GDS class of 1.80 compares to Columbia's proposed 1.89 and Mr. Higgins' proposed unitized return for the IUS class of 1.43 compares to Columbia's proposed 1.49. However, Mr. Higgins' proposal to move the IS/DS non-flex customers from a current unitized return of 1.03 (Exhibit KCH-2, Page 5) to a proposed unitized return of 0.77 calculated above goes against a principle of rate making where proposed rates should show progress toward parity (unitized return of 1.0) because at parity the rate class is producing enough revenue to recover its cost of service and authorized rate of return. Mr. Higgins' proposed revenue requirement allocation to the IS/DS class does not show progress toward producing enough revenue to recover its cost of service nor does it allow for recovery of <u>any</u> of the shortfall produced by DS customers that are billed under the flex provision of the DS tariff. In fact, Mr. Higgins' proposed revenue allocation to the IS/DS class creates a greater burden to subsidize the IS/DS rate class on the other rate classes under Mr. Higgins' proposed rates and allows for no recovery of the shortfall produced by DS customers that are billed under the flex provision of the DS tariff and, therefore, Mr. Higgins' recommended revenue allocation to the IS/DS rate class should be rejected.

Q: The 6th conclusion on Page 4 of Mr. Higgins' direct testimony is that he recommends that the proposed DS rate design include a higher customer charge than what was proposed by Columbia and that the number of volumetric rate blocks be expanded from the current two rate blocks to five rate blocks. What is Columbia's response to these recommendations?

A: I will address the higher customer charge proposed by Mr. Higgins to the DS rate class first. Mr. Higgins is proposing to add the current AMRP and administrative charges to the current customer charge before assigning the revenue requirement increase proportionally between the volumetric base rates and the customer charge. Mr. Higgins' proposed customer charge shown on Exhibit KCH-4, Page 2 of 2 is calculated as follows:

Current Customer Charge	$1,007.05
Current Administrative Charge	55.90
Current AMRP Charge	449.59
Total Current Fixed Charges	$1,512.54
Revenue Requirement Percentage Increase	32.68%
Increase in Fixed Charges	$494.30
Sub-Total	$2,006.84
Proposed Customer Charge rounded to nearest dollar	$2,007.00

Columbia, on the other hand, has proposed a more conservative determination of the proposed customer charge consistently to each of the rate classes. The IS/DS rate class proposed customer charge filed by Columbia in this case is shown on Attachment MPB-1 to my direct testimony. The calculations are as follows:

Proposed Increase to Base Rates (Att MPB-1, Pg 7, Ln 7)	$2,090,649
Current Customer Charge Revenue (Att MPB-1, Pg 7, Ln 9)	$902,317
Current Administrative Charge (Att MPB-1, Pg 7, Ln 10)	50,086
Current AMRP Charge (Attachment MPB-1, Page 7, Ln 11)	402,833
Current Volumetric Base Revenue (Att MPB-1, Pg 7, Ln 15)	3,266,040
Total Current Base Revenue	$4,621,276
Revenue Requirement Pct. Increase ($2,090,649 / $4,621,276)	45.24%
Current Customer Charge	$1,007.05
Revenue Requirement Percentage Increase	45.24%
Increase in Customer Charge	$455.59
Sub-Total	$1,462.64
Proposed Customer Charge rounded to nearest dollar	$1,462.00[2]

Both Columbia and Mr. Higgins propose to increase the customer charge based on the percentage increase in revenue requirement for the rate class. Where Columbia and Mr. Higgins differ is Columbia does not add the current AMRP and administrative charges to the customer charge before the percentage increase in revenue requirement is applied.

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[2] Columbia has since reduced the proposed IS/DS customer charge to $1,424.22 after responding to Staff data request Set 3, No. 3. See Attachment MPB-1R, Page 7, Line 9.

Mr. Higgins points out in his direct testimony on Page 18 that Columbia's Average allocated cost of service study (CEN-3, Page 53) shows customer-based costs per customer for the IS/DS rate class to be $3,768.90. The $3,768.90 is the IS/DS rate class customer based costs on a per customer basis and is the minimum, over time, that should be recovered through the customer charge. On this Columbia agrees with Mr. Higgins. The main difference between Mr. Higgins' and Columbia's proposed customer charges is how gradual should the customer charge increase as a result of this rate case.

Q: What is Columbia's response to Mr. Higgins' recommendation that the number of volumetric rate blocks for the IS/DS rate class be expanded from the current two rate blocks to five rate blocks?

A: The IS/DS rate class was charged a single volumetric base rate before Case No. 94-179. In Case No. 94-179, as part of a settlement the IS/DS base rates split into a two block rate, First 30,000 Mcf per month and Over 30,000 Mcf per month to recognize the range of monthly usage of customers in the rate class. The IS/DS rate class has had a two block rate ever since.

Currently, there are only 3 customers who are billed in the greater than 30,000 Mcf rate block so there is little justification to add Mr. Higgins' additional 2 rate blocks at the 70,000 Mcf/Month and 100,000 Mcf/Month usage levels. In addition, Mr. Higgins has not demonstrated any differential in cost of service within the IS/DS rate class to warrant splitting the current first rate block into 3 rate blocks. Finally, Mr. Higgins' rate design produces a range in the percentage increase by customer from 8.8% for the largest IS/DS non-flex customer to 42.5% for one of the lowest use IS/DS non-flex customers.

Because there are only 3 customers whose usage exceeds the current 2nd block usage of over 30,000 Mcf per month, and because Mr. Higgins has not shown any cost differential between customers whose usage falls within the current 1st rate block usage of 30,000 Mcf per month, and because Mr. Higgins rate design produces a revenue requirement increase in a wide range that only favors the highest use IS/DS non-flex customers, Columbia does not support at this time changing the existing rate structure of the IS/DS rate class.

However, in examining the impact of the increase in revenue requirement on a customer by customer basis as a result of Columbia's proposed rates for the IS/DS rate class, Columbia has determined that the range in the percentage increase by customer is from 4.7% to 59.1%.

Taking into account that the customer based costs per customer in the Average allocated cost of service study for the DS rate class is $3,768.90, there is evidence that the DS rate class customer charge could be increased proportionally to the fixed recovery currently being recovered as Mr. Higgins suggests so that the impact of the revenue requirement increase to all DS non-flex customers is proportional.

As an option to Columbia's proposed IS/DS rate design, Columbia would like to propose an alternative rate design that would recover the same revenue requirement but would redistribute the revenue requirement within the IS/DS rate class so as to produce the same percentage increase of 41.5% for each of the non-flex customers in the IS/DS rate class. Using Mr. Higgins' suggested formula and Columbia's proposed revenue increase to the IS/DS rate class, Columbia' alternative customer charge is as follows:

Current Customer Charge	$1,007.05
Current Administrative Charge	55.90
Current AMRP Charge	449.59
Total Current Fixed Charges	$1,512.54
Revenue Requirement Percentage Increase (non-flex)	41.49%

Increase in Fixed Charges	<u>627.53</u>
Alternative Proposed Customer Charge	$2,140.07

The table below shows Columbia's calculated alternative rate design for the IS/DS rate class using the updated revenue requirement shown in Attachment MPB-1R.

		Bills	Dth	Proposed Rate ($)	Proposed Revenue ($)	Current Revenue ($)	Pct. Of Current Rev	Current Rate ($)	Proposed Inc. (Dec.) ($)
	IS/DS Rate Design								
	Total Revenue @ Current Rates				5,924,504				
Less:	FX1 Base Revenue				224,062				
Less:	FX2 Base Revenue				221,011				
Less:	FX7 Base Revenue				192,155				
Less:	SC3 Base Revenue				666,000				
Plus:	Proposed Increase to Base Rates				<u>1,917,295</u>				
	Net Base Revenue				6,538,571				
Less:	Customer Charge Revenue	896		**2,140.07**	1,917,503	902,317		1,007.05	1,015,186
Less:	Administrative Charge Revenue	896		**0.00**	0	50,086		55.90	(50,086)
Less:	Accelerated Mains Replacement Program	896		**0.00**	<u>0</u>	402,833		449.59	(402,833)
	Net Volumetric Base Revenue				4,621,068				
	First 30,000 Mcf		4,984,551.4	**0.7700**	3,838,710	2,713,091	0.830697607	0.5443	1,125,619
	Over 30,000 Mcf		<u>1,913,316.0</u>	**0.4090**	<u>782,358</u>	<u>552,948</u>	<u>0.169302393</u>	0.2890	<u>229,410</u>
	Total Commodity		6,897,867.4		4,621,068	3,266,040	1.000000000		1,355,028
	Total Base Revenue Change								**1,917,296**

Q: Does this conclude your Prepared Rebuttal Testimony?

A: Yes, it does.

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

Line No.	Description	Adjusted Bills (1)	Adjusted Volumes (2) Mcf	Revenue @ Current Rates (3) $	Proposed Revenue Increase (4) $	Total Proposed Revenue (5=3+4) $	Proposed Increase By Rate Sched (6) %	Proposed Increase by Rate Class (7)
		WPM B.2	WPM C.2	Sch. M2.2 & D2.4		Sch. M 2.3		
1	**Total Revenues**							
2	GSR/GTR Residential	1,462,612	7,955,080.5	$58,710,248	$16,418,377	$75,128,625	27.97%	27.96%
3	GSO/GTO/GDS	167,676	5,748,554.7	26,463,106	$6,766,243	33,229,349	25.57%	25.56%
4	DS/SAS	896	6,897,867.4	4,621,276	$1,917,001	6,538,277	41.48%	32.36%
5	IS	0	0.0	0	$0	0	0.00%	32.36%
6	IUS	24	11,320.7	47,824	$8,064	55,889	16.86%	16.86%
7	IN3 Residential	108	990.2	396	$0	396	0.00%	27.96%
8	IN4	0	0.0	0	$0	0	0.00%	27.96%
9	IN5	36	333.6	200	$0	200	0.00%	27.96%
10	G1C	41	1,697.8	9,744	$0	9,744	0.00%	25.56%
11	G1R	192	2,018.9	13,752	$0	13,752	0.00%	27.96%
12	LG2 Residential	12	605.2	212	$0	212	0.00%	27.96%
13	LG2 Commercial	12	710.9	249	$0	249	0.00%	25.56%
14	LG3 Residential	12	714.1	256	$0	256	0.00%	27.96%
15	LG4 Residential	12	257.6	103	$0	103	0.00%	27.96%
16	DS3	36	680,981.0	67,641	$0	67,641	0.00%	0.00%
17	FX1	12	541,812.0	224,062	$0	224,062	0.00%	32.36%
18	FX2	12	533,988.0	221,011	$0	221,011	0.00%	32.36%
19	FX5	36	4,689,510.0	411,572	$0	411,572	0.00%	0.00%
20	FX7	12	420,000.0	192,155	$0	192,155	0.00%	0.00%
21	SC3	12	1,580,000.0	666,000	$0	666,000	0.00%	32.36%
22	**Other Gas Department Revenue**							
23	Acct. 487 Forefited Discounts			476,000	$130,932	606,932	27.51%	
24	Acct. 488 Miscellaneous Service Revenue			137,000	$0	137,000	0.00%	
25	Acct. 495 Non-Traditional Sales			72,000	$0	72,000	0.00%	
26	Acct. 495 Prior Yr. Rate Refund - Net.			0	$0	0	0.00%	
27	Acct. 495 Other Gas Revenues - Other			515,000	$0	515,000	0.00%	
28	Total Revenues	1,631,753	29,066,442.6	92,849,807	25,240,618	118,090,425	27.18%	

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

Line No.	Description	Adjusted Bills (1)	Adjusted Volumes (2) Mcf	Revenue @ Current Rates (3) $	Proposed Revenue Increase (4) $	Total Proposed Revenue (5=3+4) $	Proposed Increase By Rate Sched (6) %	Proposed Increase by Rate Class (7)
		WPM B.2	WPM C.2	Sch. M 2.2		Sch. M 2.3		
1	**Delivery Charge Revenue Only (Base Rates, Admin. Charge & AMRP Charge)**							
2	GSR/GTR Residential	1,462,612	7,955,080.5	$43,261,042	$16,418,377	$59,679,420	37.95%	37.94%
3	GSO/GTO/GDS	167,676	5,748,554.7	18,733,089	6,766,243	25,499,333	36.12%	36.11%
4	DS/SAS	896	6,897,867.4	4,621,276	1,917,001	6,538,277	41.48%	32.36%
5	IS	0	0.0	0	0	0	0.00%	32.36%
6	IUS	24	11,320.7	22,521	8,064	30,586	35.81%	35.81%
7	IN3 Residential	108	990.2	396	0	396	0.00%	37.94%
8	IN4	0	0.0	0	0	0	0.00%	37.94%
9	IN5	36	333.6	200	0	200	0.00%	37.94%
10	G1C	41	1,697.8	5,994	0	5,994	0.00%	36.11%
11	G1R	192	2,018.9	9,292	0	9,292	0.00%	37.94%
12	LG2 Residential	12	605.2	212	0	212	0.00%	37.94%
13	LG2 Commercial	12	710.9	249	0	249	0.00%	36.11%
14	LG3 Residential	12	714.1	256	0	256	0.00%	37.94%
15	LG4 Residential	12	257.6	103	0	103	0.00%	37.94%
16	DS3	36	680,981.0	67,641	0	67,641	0.00%	0.00%
17	FX1	12	541,812.0	224,062	0	224,062	0.00%	32.36%
18	FX2	12	533,988.0	221,011	0	221,011	0.00%	32.36%
19	FX5	36	4,689,510.0	411,572	0	411,572	0.00%	0.00%
20	FX7	12	420,000.0	192,155	0	192,155	0.00%	0.00%
21	SC3	12	1,580,000.0	666,000	0	666,000	0.00%	32.36%
22	Total Base Revenues	1,631,753	29,066,442.6	$68,437,072	$25,109,686	$93,546,758	36.69%	

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

Line No.	Description	Adjusted Bills (1) WPM B.2	Adjusted Volumes (2) Mcf WPM C.2	Revenue @ Current Rates (3) $ Sch. M 2.2	Proposed Revenue Increase (4) $	Total Proposed Revenue (5=3+4) $ Sch. M 2.3	Proposed Increase By Rate Sched (6) %	Proposed Increase by Rate Class (7)
1	**Gas Cost Revenue Only**							
2	GSR/GTR Residential			$13,802,635	$0	$13,802,635	0.00%	
3	GSO/GTO/GDS			7,640,096	0	7,640,096	0.00%	
4	G1C			3,751	0	3,751	0.00%	
5	G1R			4,460	0	4,460	0.00%	
6	IUS			25,009	0	25,009	0.00%	
7	Total Gas Cost Revenues			$21,475,950	$0	$21,475,950	0.00%	
8	**EAP Revenue**							
9	GSR/GTR Residential			$474,918	$0	$474,918	0.00%	
10	Total EAP Revenues			$474,918	$0	$474,918	0.00%	
11	**Energy Efficiency Conservation Program**							
12	GSR/GTR Residential			$1,009,202	$0	$1,009,202	0.00%	
13	Total Energy Efficiency Conservation Revenues			$1,009,202	$0	$1,009,202	0.00%	
14	**Gas Cost Uncollectible Charge**							
15	GSR/GTR Residential			162,450	0	162,450	0.00%	
16	GSO/GTO/GDS			89,920	0	89,920	0.00%	
17	IUS			294	(0)	294	-0.01%	
18	Total Gas Cost Uncollectible Charge			$252,665	$0	$252,665	0.00%	

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

Line No.		Description	Total (1)	GSR/GTR (2)	GSO/GTO/GDS (3)	IS/DS (4)	IUS (5)	DS-ML (6)
1		**Determination of Revenue Distribution**						
2		Rate Base (Attachment CEN-3 Page 4, Line 12)	$253,360,797	$162,668,511	$57,415,257	$32,693,845	$97,824	$485,360
3		Unitized Return @ Current Rates	1.000000	0.144680	3.702130	0.187230	3.191490	22.319150
4		**Proposed Unitized Return**	**1.000000**	**0.769391**	**1.886000**	**0.512255**	**1.491500**	**6.235450**
5		**Change in Unitized Return**	**0.000000**	**0.624711**	**(1.816130)**	**0.325025**	**(1.699990)**	**(16.083700)**
6		Rate of Return Requested	8.410%	6.471%	15.861%	4.308%	12.544%	52.440%
7		Net Operating Income @ Requested Return (Line 2 x Line 6)	$21,307,643	$10,525,593	$9,106,783	$1,408,472	$12,271	$254,523
8		Net Operating Income @ Current Rates	$6,057,270	$553,639	$4,995,219	$246,522	$7,338	$254,552
9		Income Deficiency (Line 7 - Line 8)	$15,250,373	$9,971,954	$4,111,564	$1,161,950	$4,933	($29)
10		Gross Converstion Factor	1.655089	1.655089	1.655089	1.655089	1.655089	1.655089
11		**Revenue Required Increase**	**25,240,723**	**16,504,471**	**6,805,004**	**1,923,131**	**8,165**	**(48)**
12		**Percent Distribution to Rate Classes**	**100.000%**	**65.389%**	**26.960%**	**7.619%**	**0.032%**	**0.000%**
13	Plus:	Gas Cost Uncollectible Charge @ Current Rates	252,665	162,450	89,920	0	294	0
14	Less:	Gas Cost Uncollectible Charge @ Proposed Rates	252,665	162,450	89,920	0	294	0
15	Less:	Proposed Change Other Gas Department Revenue (Attachment MPB-2)	130,935	86,253	38,851	5,836	43	(48)
16		**Proposed Increase to Base Revenue**	**$25,109,788**	**$16,418,218**	**$6,766,153**	**$1,917,295**	**$8,122**	**$0**
17		**Percent Distribution to Rate Classes**	**100.000%**	**65.386%**	**26.946%**	**7.636%**	**0.032%**	**0.000%**
18		**Current Base Revenue**	**68,437,072**	**43,271,501**	**18,739,332**	**5,924,504**	**22,521**	**479,213**
19		**Current Percent Distribution of Rate Classes**	**100.000%**	**63.228%**	**27.382%**	**8.657%**	**0.033%**	**0.700%**
20		**Proposed Base Revenue**	**93,546,860**	**59,689,719**	**25,505,485**	**7,841,799**	**30,643**	**479,213**
21		**Proposed Percent Distribution of Rate Classes**	**100.000%**	**63.807%**	**27.265%**	**8.383%**	**0.033%**	**0.512%**

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

			Bills	Dth	Proposed Rate ($)	Proposed Revenue ($)	Current Rev Revenue ($)	Current Rate ($)	Proposed Inc. (Dec.) ($)
1		**GSR/GTR Rate Design**							
2		Total Revenue @ Current Rates				58,725,166			
3	Less:	Gas Cost Revenue				13,807,095			
4	Less:	Gas Cost Uncollectible Charge				162,450			
5	Less:	EAP Revenue				474,918			
6	Less:	EECP Revenue				1,009,202			
7	Less:	G1R Base Revenue				9,292			
8	Less:	IN3 Base Revenue				396			
9	Less:	IN4 Base Revenue				0			
10	Less:	IN5 Base Revenue				200			
11	Less:	LG2 - Residential Base Revenue				212			
12	Less:	LG3 - Residential Base Revenue				256			
13	Less:	LG4 - Residential Base Revenue				103			
14	Plus:	Proposed Increase to Base Rates				16,418,218			
15		Proposed Base Revenue				59,679,260			
16	Less:	Customer Charge Revenue	1,462,612		**19.76**	28,901,213	21,939,180	15.00	6,962,033
17	Less:	Accelerated Mains Replacement Program	1,462,612		**0.00**	0	3,290,877	2.25	(3,290,877)
18		Net Volumetric Base Revenue				30,778,047			
19		All Gas Consumed		7,955,080.5	**3.8690**	30,778,206	18,030,985	2.2666	12,747,221
20		**Total Base Revenue Change**							**16,418,377**

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

			Bills	Dth	Proposed Rate ($)	Proposed Revenue ($)	Current Revenue ($)	Pct. Of Current Rev	Current Rate ($)	Proposed Inc. (Dec.) ($)
1		**GSO/GTO/GDS Rate Design**								
2		Total Revenue @ Current Rates				26,473,099				
3	Less:	Gas Cost Revenue				7,643,847				
4	Less:	Gas Cost Uncollectible Charge				89,920				
5	Less:	G1C Base Revenue				5,994				
6	Less:	LG2 Commercial Base Revenue				249				
7	Plus:	Proposed Increase to Base Rates				6,766,153				
8		Net Base Revenue				25,499,242				
9	Less:	Customer Charge Revenue	167,676		**50.94**	8,541,415	6,287,850		37.50	2,253,565
10	Less:	Administrative Charge Revenue	325		**0.00**	0	18,168		55.90	(18,168)
11	Less:	Accelerated Mains Replacement Program	167,676		**0.00**	0	1,344,762		8.02	(1,344,762)
12		Net Volumetric Base Revenue				16,957,827				
13		First 50 Mcf		2,323,884.9	**3.4683**	8,059,895	5,267,318	0.475290566	2.2666	2,792,577
14		Next 350 Mcf		2,223,522.3	**2.6809**	5,960,950	3,895,611	0.351516154	1.752	2,065,339
15		Next 600 Mcf		655,261.1	**2.5491**	1,670,334	1,091,599	0.098499272	1.6659	578,735
16		Over 1,000 Mcf		545,886.4	**2.3203**	1,266,648	827,782	0.074694008	1.5164	438,866
17		Total Commodity		5,748,554.7		16,957,827	11,082,310	1.000000000		5,875,517
18		**Total Base Revenue Change**								**6,766,153**

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

			Bills	Dth	Proposed Rate ($)	Proposed Revenue ($)	Current Revenue ($)	Pct. Of Current Rev	Current Rate ($)	Proposed Inc. (Dec.) ($)
1		**IS/DS Rate Design**								
2		Total Revenue @ Current Rates				5,924,504				
3	Less:	FX1 Base Revenue				224,062				
4	Less:	FX2 Base Revenue				221,011				
5	Less:	FX7 Base Revenue				192,155				
6	Less:	SC3 Base Revenue				666,000				
7	Plus:	Proposed Increase to Base Rates				1,917,295				
8		Net Base Revenue				6,538,571				
9	Less:	Customer Charge Revenue	896		**1,424.22**	1,276,101	902,317		1,007.05	373,784
10	Less:	Administrative Charge Revenue	896		**0.00**	0	50,086		55.90	(50,086)
11	Less:	Accelerated Mains Replacement Program	896		**0.00**	0	402,833		449.59	(402,833)
12		Net Volumetric Base Revenue				5,262,470				
13		First 30,000 Mcf		4,984,551.4	**0.8769**	4,371,521	2,713,091	0.830697607	0.5443	1,658,430
14		Over 30,000 Mcf		1,913,316.0	**0.4658**	890,949	552,948	0.169302393	0.2890	338,001
15		Total Commodity		6,897,867.4		5,262,470	3,266,040	1.000000000		1,996,430
16		**Total Base Revenue Change**								**1,917,296**

Columbia Gas of Kentucky, Inc.
Allocation of Proposed Annual Revenues by Rate Schedule Based on Revenue Requirement
For the 12 Months Ended December 31, 2017

Witness: M. P. Balmert

Line			Bills	Dth	Proposed Rate ($)	Proposed Revenue ($)	Current Revenue ($)	Pct. Of Current Rev	Current Rate ($)	Proposed Inc. (Dec.) ($)
1		**IUS Rate Design**								
2		Total Revenue @ Current Rates				47,824				
3	Less:	Gas Cost				25,009				
4	Less:	Gas Cost Uncollectible Charge				294				
5	Plus:	Proposed Increase to Base Rates				8,122				
6		Net Base Revenue				30,643				
7	Less:	Customer Charge Revenue	24		**648.13**	15,555	11,448		477.00	4,107
8	Less:	Accelerated Mains Replacement Program	24		**0.00**	0	1,847		76.96	(1,847)
9		Net Volumetric Base Revenue				15,088				
10		All Gas Consumed		11,320.7	**1.3277**	15,088	9,226		0.8150	5,862
11		Total Commodity		11,320.7		15,088	9,226			5,862
12		**Total Base Revenue Change**								**8,122**
13		**DS-ML Rate Design**								
14		Total Revenue @ Current Rates				479,213				
15	Less:	FX5 Base Revenue				411,572				
16	Plus:	Proposed Increase to Base Rates				0				
17		Net Base Revenue				67,641				
18	Less:	Customer Charge Revenue	36		**255.90**	9,212	7,200		200.00	2,012
19	Less:	Administrative Charge Revenue	36		**0.00**	0	2,012		55.90	(2,012)
20		Net Volumetric Base Revenue				58,429				
21		All Gas Consumed		680,981.0	**0.0858**	58,429	58,428		0.0858	0
22		Total Commodity		680,981.0		58,429	58,428			0
23		**Total Base Revenue Change**								**(0)**