

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

<b>APPLICATION OF COLUMBIA GAS</b>	)	<b>CASE NO.</b>
<b>OF KENTUCKY, INC. FOR AN</b>	)	<b>2016-00162</b>
<b>ADJUSTMENT OF RATES</b>	)	

**RESPONSE OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.  
TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION**

Q.1. Refer to the Direct Testimony of Kevin C. Higgins ("Higgins Testimony"), page 5, line 4, and page 15, lines 7 through 15. Provide support for the amount of 5 percent that is used as a reduction to the average overall increase for the referenced DS, GS/GTO/GDS and IUS rate classes, and for the amount of 2.7 percent that is added to the increase Columbia proposed for residential customers.

**RESPONSE:**

Mr. Higgins' recommendation that the DS, GS/GTO/GDS and IUS rate classes receive increases 5 percent below the average increase (for classes receiving an increase) is intended to align more closely with cost of service than Columbia's proposal. For example, under KIUC's Average cost-of-service study – as summarized in Exhibit KCH-2, p. 4, columns (b) – (e) – the DS, GS-OTHER, and IUS rate classes have unitized rates of return under current rates significantly above 1.00, while the Residential class has a unitized rate of return under current rates of 0.09. While the DS, GS/GTO/GDS and IUS classes would continue to pay rates higher than cost-of-service under Mr. Higgins' recommendation (based on KIUC's Average study), these classes' rates would more closely align with costs than under Columbia's recommendation.

Under Mr. Higgins' recommendation, the increase borne by the Residential class was adjusted to recover the remaining amount of Columbia's requested revenue requirement increase. A substantial Residential subsidy would continue to exist under Mr. Higgins' recommendation. Please note, at Columbia's requested revenue requirement, Mr. Higgins recommends that the Residential increase be set 2.7% above the average increase (for classes receiving an increase), not 2.7% above the increase proposed by Columbia as stated in this data request.

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- Q.2. Refer to the Higgins Testimony, page 5, lines 13-14, which state, "I recommend an alternative that has five blocks, consistent with other gas distribution utilities in the region."
- a. Provide a list of the gas distribution utilities referenced in the statement.
  - b. Provide a list of any NiSource subsidiaries that offer industrial rate designs with four or more blocks.

**RESPONSE:**

- a. Mr. Higgins identified three natural gas utilities that utilize rate designs with four to six blocks in the region: Piedmont Natural Gas Company, Inc. (North Carolina), Public Service Company of North Carolina, Inc., and Chattanooga Gas Company. These tariffs are included in Exhibit KCH-5.
- b. Mr. Higgins is not aware of any NiSource subsidiaries that offer industrial rate designs with four or more blocks.

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Q.3. Refer to the Higgins Testimony, page 10, lines 18-22. Provide the Cost of Service Studies, in Excel spreadsheet format, with all cells unprotected and all sheets visible.

**RESPONSE:**

Please see the attached cost-of-service models, which correspond to Exhibit KCH-2 as referenced in Mr. Higgins' Testimony, page 10, lines 18-22:

KIUC COS WP - Average and Peak  
KIUC COS WP - Average and Peak 50% Throughput Weighting  
KIUC COS WP - Minimum System  
KIUC COS WP - Average  
KIUC COS WP - Average - 50% Throughput Weighting

In addition, please see the attached cost-of-service models, which correspond to Exhibit KCH-1:

KIUC WP Average and Peak - Throughput Weighting Change  
KIUC WP Average - Throughput Weighting Change

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- Q.4. Provide Exhibits KCH-3 through KCH-4 to the Higgins Testimony in Excel spreadsheet format, with all cells unprotected and all sheets visible.

**RESPONSE:**

Please see the attached files:

Exhibit KCH-3

Exhibit KCH-3 WP

Exhibit KCH-4

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- Q.5. Provide an average bill comparison similar to page 17 of 25 of Schedule N of Columbia's Application using KIUC's proposed declining block rate design and incremental usage up to 600,000 Mcf. Also provide a comparison of the average bill at Columbia's proposed rates for each block.

**RESPONSE:**

Please see the attached files:

Attachment KIUC Response to Staff DR 5  
DS Rate Impact workpaper