

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Columbia Gas of Kentucky, Inc. ("Columbia" or "Company") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness (es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Columbia with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and

caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

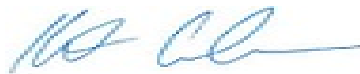
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

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1. Provide all schedules and workpapers, including all electronic spreadsheets in live format with all formulas intact. This includes, but is not limited to, all schedules and workpapers in support of Mr. Moul's testimony and exhibits and Mr. Spanos' testimony, exhibits, and depreciation study.

2. Refer to the Ms. Cooper's Direct Testimony at 13 wherein she states:

It is therefore reasonable to preclude the cost of replacing any failed meter families in base rates and to instead provide a mechanism for future recovery of such costs. Columbia proposes to provide this mechanism within the AMRP Rider because it is administratively more efficient.

- a. Confirm that the test year revenue requirement includes the cost of replacing failed meters and failed meter families. If this is not correct, then demonstrate that the Company has removed all such costs from the test year.
- b. Quantify the cost of replacing failed meters and meter families that the Company proposes to transition from recovery through base rates to the AMRP rider. Provide all assumptions, data, and calculations, including all electronic spreadsheets in live format with all formulas intact.
- c. Provide a history of the costs of replacing failed meters and meter families in each calendar year 2012 through 2015, the base year, and the test year. Provide these costs by activity level, FERC O&M/A&G expense account, and FERC plant account.
- d. Provide a description and copy of all documentation related to the decision whether to repair or replace meters and the decision process for replacement of entire meter families.

3. Refer to page 9, lines 17-19 of Ms. Cole's Direct Testimony wherein she states:

Columbia repairs approximately 820 leaks annually on its distribution system and continues to closely manage the number of outstanding open leaks.

Provide a schedule showing the number and cost of leak repairs by FERC O&M/A&G account for each calendar year 2012 through 2015, the base year, and the test year.

4. Refer to page 15, lines 1-4 of Mr. Belle's Direct Testimony wherein he states:

However, given the safety concerns that arise when this pipe is subjected to stress intensification, the safest course of action is for Columbia to replace first-generation pipe when it is encountered within the scope of an AMRP project.

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- a. Provide an expanded description of the process presently used by the Company to identify the first-generation pipe that is leaking or otherwise subject to safety concerns and how the process will change if replacement costs are included in the AMRP and recovered through the rider.
 - b. Describe how the Company presently recovers the replacement costs for first-generation pipe and explain, in detail, why the Company believes that form of recovery is inadequate.
5. Refer to page 15, lines 4-8 of Mr. Belle's Direct Testimony wherein he states:
- Columbia also proposes to include within the AMRP the replacement of first generation plastic if a leak is found on a segment of pipe or as Columbia's Optimain tool supports the replacement of isolated segments of pipe based on its Optimain risk score.
- a. Provide an expanded description of the process presently used by the Company if a leak is found on a segment of pipe or as Columbia's Optimain tool supports the replacement of isolated segments of pipe based on its Optimain risk score and how the process will change if these costs are included in the AMRP and recovered through the rider.
 - b. Describe how the Company presently recovers the replacement costs if a leak is found on a segment of pipe or as Columbia's Optimain tool supports the replacement of isolated segments of pipe based on its Optimain risk score and explain why the Company believes that form of recovery is inadequate.
6. Refer to page 10, lines 14-20 of Mr. Katko's Direct Testimony wherein he describes the Company's proposed cash working capital allowance using a 1/8 O&M expense methodology.
- a. Provide all support for the proposition that the Company's proposed methodology provides a superior measure of cash working capital than the results of a properly performed cash working capital study using the lead/lag methodology.
 - b. Identify all jurisdictions in which NiSource electric and/or gas utilities are required to calculate cash working capital using the lead/lag methodology.
 - c. Provide a copy of all cash working capital studies prepared and filed with regulators by all NiSource electric and/or gas utilities since 2012. Also, please provide a copy of all prefiled direct testimony that addresses each of these cash working capital studies.

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7. Refer to WPD-2.4H. Provide the source and/or calculation of the property tax rates used to calculate the property tax expense in the test year.

8. Refer to page 5 lines 3-7 of Mr. Spanos' Direct Testimony wherein he states:

The methods of this study are the same as those utilized in the past by Columbia, however the depreciation procedure has been changed in order to more appropriately match utilization of assets to their recovery. The rates determined in this Depreciation Study are based on the equal life group procedure and the remaining life method.

a. Provide a copy of all communications between the Company and/or NiSource and Mr. Spanos, including, but not limited to, the request for proposal, proposal, engagement letter, contract, purchase order, letters, memos, emails, and/or notes taken by the Company, NiSource, Gannett Fleming, and/or Mr. Spanos.

b. Indicate if the Company and/or NiSource directed Mr. Spanos to propose the ELG procedure in the depreciation study or if Mr. Spanos proposed this to the Company and/or NiSource and was authorized to proceed on that basis. Please identify the person(s) and his/her (their) position(s) who authorized Mr. Spanos to propose a change from the ALG to the ELG procedure.

c. Confirm that the Company depreciates and recovers the cost of its plant regardless of whether the ALG or the ELG procedure is used.

d. Confirm that the ELG procedure accelerates depreciation expense and recovery compared to the ALG procedure.

9. Refer to page 13, lines 17-18 of Mr. Spanos' Direct Testimony wherein he states:

I have conducted depreciation calculations using both the average service life and equal life group procedures.

Provide the depreciation rates using the ALG procedure. Provide all schedules, data, assumptions, workpapers, including all electronic spreadsheets with formulas intact.

10. Provide a detailed explanation of the methodology used by Mr. Spanos to "normalize" the retirement data and net salvage data for the plant eligible for the pipeline replacement program given that this actual historic experience is not likely to be repeated for the replacement plant. Indicate if Mr. Spanos separated the plant data in any manner to make this distinction between the plant actually retired and still eligible for retirement compared to the replacement plant. If not, indicate why he did not do so in the depreciation study. If so, provide all notes, data, parameters, and workpapers, including

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electronic spreadsheets in live format and with formulas intact used to “normalize” this experience for application to the replacement plant.

11. Provide a detailed explanation of the Company's plant accounting for the plant eligible for the pipeline replacement program. Specifically address the Company's retirement and construction accounting, including, but not limited to, cost of removing retired plant compared to capital expenditures for replacement plant, and the manner in which the Company separates these costs where there is an overlap in retirement and construction activity, such as trenching and cutover from the retired to the replacement pipe. Specifically address the manner in which the Company tags the plant retirement or construction costs in its accounting records to identify and tie the costs to the pipeline replacement program. Provide a copy of all procedures and guidelines relied on by the Company in accounting for the retirement and construction costs and the separation of such costs where there is an overlap in activity.
12. Describe the manner in which the Company physically retires plant pursuant to the pipeline replacement program. Describe the physical process from identification of the plant that will be replaced, to accessing the pipe or other plant that will be replaced, to cutting the pipe over from the retired plant to the replacement plant, the actions that are taken to remove or secure the retired plant, and the disposition of any physical plant that is removed. Please provide a copy of all documentation that addresses this entire process from start to finish.
13. Refer to pages VI-3, VI-4, and VI-5 of the depreciation study. Provide similar schedules for the present depreciation rates.
14. Confirm that it is Mr. Spanos' practice to provide a side by side comparison of present depreciation rates to proposed depreciation rates in his depreciation studies.
15. Explain why Mr. Spanos did not provide a side by side comparison of present depreciation rates to proposed depreciation rates in the depreciation study in this proceeding.
16. Provide a side by side comparison of the present depreciation rates, proposed depreciation rates using the ELG procedure and depreciation rates using the ALG procedure by plant account/subaccount, including each component of the depreciation rates, e.g., depreciation rate excluding net salvage, net salvage rate, and depreciation rate including net salvage.
17. Provide all cost benefit analyses for the proposed training center compared to the status quo.
18. Provide all cost benefit analyses for each of the proposed “strategic” O&M expense initiatives compared to the status quo.

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19. Refer to page 7 lines 1-7 of Mr. Fischer's Direct Testimony wherein he addresses the "tax repairs deduction."
 - a. Confirm that the tax repairs deduction is not subject to the normalization provisions of the IRC.
 - b. Confirm that the tax repairs deduction contributed in part to the Company's NOL ADIT in account 190 at December 31, 2015, August 31, 2016, December 31, 2016, and December 31, 2017. Explain your response in complete detail.

20. Refer to page 9 lines 6-8 of Mr. Fischer's Direct Testimony wherein he addresses the federal NOL ADIT and quantifies it as \$1,258,107 (WPB-6 Sheet 2 of 3).
 - a. Provide the calculation of the amount at December 31, 2016 shown on WPB-6 Sheet 2 of 3 starting with the year in which the NOL carryforward originated and the change in the amount for each month since that date through December 31, 2017. Provide all data, assumptions, and workpapers, including electronic spreadsheets in live format with all formulas intact. In addition, provide a narrative explanation of the calculation so that it can be understood and replicated.
 - b. Confirm that this amount was calculated before the increase in taxable income that will result from any rate increase in this proceeding.
 - c. If the response to part (b) of this question is "confirmed," then confirm that the Company agrees the NOL ADIT will be reduced based on the rate increase authorized in this proceeding, all else equal.
 - d. Confirm that the NOL ADIT will be eliminated if the Commission grants the rate increase requested in this proceeding, all else equal.

21. Refer to page 9 lines 2-6 of Mr. Fischer's Direct Testimony.
 - a. Provide a copy of all "rulings" relied on for this statement.
 - b. Confirm that the "rulings" address only the tax depreciation deductions and that the NOL ADIT can be reduced for any deductions other than tax depreciation that contributed to the NOL ADIT.
 - c. Confirm that it is the Company's understanding of the Regulation and the "rulings" that the NOL ADIT must be included in rate base to avoid a normalization violation only to the extent that the NOL carryforward was caused by tax depreciation. Explain your response in complete detail.

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- d. Provide a calculation of the NOL ADIT that is limited to the tax depreciation deduction and that conforms to the Company's understanding of the Regulation and the "rulings" necessary to avoid a normalization violation. Provide all data, assumptions, and workpapers, including electronic spreadsheets in live format with formulas intact.
22. Refer to the Gas Stored Underground on Schedule B-5.1 Sheet 2 of 2.
 - a. Provide a schedule showing a history of the monthly injections and withdrawals and month end balances in mcf and/or dth and dollars for January 2012 through December 2017. In addition, provide the month end inventory costs in dollars per mcf and/or dth.
 - b. Provide the monthly and annual customer volumes, excluding transportation, for January 2012 through December 2017 and calendar years 2012 through 2017, respectively.
 - c. Explain why the Gas Stored Underground included in rate base in the test year is reasonable compared to the test year volumes, excluding transportation. Cite and provide a copy of all analyses and other documents relied on for your response.
 23. Provide all of Mr. Moul's work papers and supporting documentation for his Direct Testimony and exhibits. Provide all spreadsheets with cell formulas intact.
 24. Provide all of Mr. Moul's exhibits in their native spreadsheet format with cell formulas intact.
 25. Provide copies of all articles cited by Mr. Moul in his Direct Testimony.
 26. Provide copies of credit rating agency reports, e.g., Standard and Poor's, Moody's, and Fitch, for NiSource from 2013 through the present date.
 27. Provide Columbia Gas of Kentucky's return on common equity for the years 2010 through 2015. Provide all supporting work papers and documentation.
 28. Provide all work papers and supporting documentation for Columbia's requested cost of long-term debt. Provide all spreadsheets with cell formulas intact.
 29. Provide all work papers and supporting documentation for Columbia's requested cost of short-term debt of 2.5%. Provide all spreadsheets with cell formulas intact.
 30. Provide Columbia's component capital structure for the years 2010 through 2015. Please show each source of capital separately. Include all work papers and supporting documentation. Provide all spreadsheets with cell formulas intact.

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31. Provide copies of credit rating agency reports, e.g., Standard and Poor's, Moody's, and Fitch, for the Gas Group (See Moul Direct Testimony, page 15, lines 11 through 16) from 2013 through the present date.
32. Refer to Mr. Moul's Direct Testimony, page 24, lines 6 through 9. Provide all supporting calculations, documentation, and work papers associated with the 4.95% cost of the new issue of long-term debt. Provide any associated spreadsheets with cell formulas intact.
33. Reference the Columbia application generally. Provide the average dollar amount that the Columbia bill is currently for each rate class, and the average dollar amount should the proposed rates go into effect for each rate class.
34. Reference the Columbia application generally. Provide all invoices from outside experts, consultants, and legal counsel related to the current rate case, as well as the total amount expended thus far. Provide this information on an ongoing basis.
35. Reference the Columbia application generally. Provide full copies of the Board of Directors ("BOD") meeting minutes for every BOD meeting that has taken place from 2014 up until the present time where rates were discussed.
36. Reference the Columbia application generally. Provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed at any and all meetings with customers between 2014 and the present time, which address or otherwise discuss the need for a rate adjustment.
37. Reference the Columbia application generally. Has Columbia conducted a study to compare the Company's salary/wages, benefits, and raises per employee with the standard salary/wages, benefits, and raises by the workforce in the counties that it services? If so, provide copies of all such studies. If not, explain why a study has not been performed.
38. Reference the Columbia application generally. Provide copies of any salary surveys/studies or analysis of prevailing wage and salary amounts or any other documents utilized in the process of determining the amount of compensation, benefits, bonuses, and raises for wage and salaried employees.
39. Reference the Columbia application generally to answer the following:
 - a. Provide a list of each Columbia salaried employee's job title with salary, overtime pay if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.

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- b. Provide a list of each Columbia hourly employee's job title with salary, overtime pay if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
 - c. Provide a list of each Columbia BOD's job title with salary, overtime pay if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
 - d. Provide a list of each Columbia Officer's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
40. Reference the Columbia application generally. Provide copies of all studies that Columbia has conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Provide detailed information for each specified group.
41. Reference the Columbia application generally. Provide the general wage and salary increases that have been given, or will be given, to all Columbia's employees for each year between 2012 - 2017.
42. Reference the Columbia application generally. Provide the policies and procedures that Columbia relies upon when making the determination as to providing a wage and/or salary increase to an employee.
43. Reference the Columbia application generally. Provide a detailed list of each and every raise or bonus that an employee may be entitled to, and whether or not a performance evaluation is the basis for each.
44. Reference the Columbia application generally. Provide a detailed description of the benefits package that the Company offers its employees. Include all benefits including but not limited to health, dental, vision, disability, and life insurance plans, and include all dollar amounts paid by the employee and the employer contribution of the same. Include all relevant premiums, co-pays, deductibles, etc. Also, include 401k benefits, sick time, vacation time, overtime, etc.
45. Reference the Columbia application generally. Has the Company raised premiums for employees or raised co-pays for doctor visits and/or pharmacy prescriptions in order to assist in keeping the insurance costs as low as possible?