

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO COMMISSION STAFF'S
FOURTH REQUESTS FOR INFORMATION
DATED JULY 23, 2018**

1. Refer to Columbia Kentucky's Response to Staff's Third Request for Information (Staff's Third Request), Attachment A, the Net Ben – LIHEF Replacement tab, the Total Resource Cost (TRC) Test Calculations.
 - a. Provide support for the Estimated Participant Cost of \$690.
 - b. Refer to the Retained MCF Column. Explain why the calculation for the Retained MCF cell D67, references estimated costs per participant rather than number of participants.
 - c. Also refer to Columbia Kentucky's Corrected Response to Staff's Request for Information (Staff Second Request), Corrected Attachment B, Net Ben – LIHEF Replacement tab, the TRC Test Calculations. Refer to the Estimated MCF savings. Explain why the savings is different between the two spreadsheets.

Response:

- a. The \$690 participant cost reflects the difference between the estimated cost of the a 92-94% AFUE high efficiency furnace (\$3,490) and the replacement amount provided by Columbia under the LIHEAF program (\$2,800).
Therefore, the difference is $\$3,490 - \$2,800 = \$690$.
- b. The Retained MCF should reference the number of participants and not estimated costs.
- c. The estimated savings used in the Third Response were updated to reflect the current best estimates available to Columbia for the savings.

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RESPONSE TO COMMISSION STAFF'S
FOURTH REQUESTS FOR INFORMATION
DATED JULY 23, 2018**

2. Refer to Columbia Kentucky's Response to Staff's Third Request, Attachment A, the Net Ben HEA Rebate tab, the TRC Test Calculations.

a. Provide support for the Estimated Participant Cost of \$903.

b. Also refer to Columbia Kentucky's Corrected Response to Staff's Second Request for Information (Staff's Second Request), Corrected Attachment B, Net Ben – HEA Rebate tab, the TRC Test Calculations. Refer to the Estimated MCF savings. Explain why the savings is different between the two spreadsheets.

c. Also refer to Columbia Kentucky's Corrected Response to Staff's Second Request, Corrected Attachment B, Net Ben HEA Rebate tab, the TRC Test Calculations.

(1) Explain why the number of participants changes from 143 in the prior filing to 1,250 in the most current filing.

(2) Explain why the number of participants is greater than the annual average participation rate as reported in Exhibit Seelye-4 of the Direct Testimony of William Steven Seelye (Seelye Testimony).

Response:

- a. The \$903 participant cost reflects the weighted cost differences between (a) the estimated cost of the a 92-94% AFUE high efficiency furnace (\$3,490) and the cost of a standard furnace (\$2,550), and (b) the estimated cost of a high efficiency water heater (\$1,760) and the cost of a standard water heater (\$1,150). The weighting factors were based on 784 furnaces and 98 water heaters. Therefore, the average cost per participant for the standard appliance is \$2,394 ($[\$2,550 \times 784 + \$1,150 \times 98] \div (784+98) = \$2,394$) and the average cost of a high efficiency appliance is \$3,298 ($[\$3,490 \times 784 + \$1,760 \times 98] \div (784+98) = \$3,298$). The difference is then equal to \$903 ($\$3,298 - \$2,394 = \903).
- b. The estimated savings used in the Third Response were updated to reflect the current best estimates available to Columbia for the savings.

c. (1) The spreadsheet was modified to reflect a more accurate number of targeted participants.

(2) The number of participants in the spreadsheet reflects what Columbia targets under the program. It should be noted that the actual number of participants exceeded the target number of 1,200 during the years 2011 and 2014 and approximately equaled the target number during the year 2013.

KY PSC Case No. 2018-00044
Response to Staff's Request for Information Set Four No. 3
Respondent: William Steven Seelye

**COLUMBIA GAS OF KENTUCKY, INC.
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FOURTH REQUESTS FOR INFORMATION
DATED JULY 23, 2018**

3. Provide and updates to the California Tests in Excel spreadsheet format with all formulas unprotected and all rows and columns accessible.

Response:

See attachments A and B.

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DATED JULY 23, 2018**

4. Refer to the Direct Testimony of Herbert A. Miller, Jr, page 5, lines 6-8.
 - a. Explain if the decline of the average annual residential consumption of natural gas from 72.4 Mcf to 68.8 Mcf has been normalized/weather adjusted.
 - b. Explain if Mr. Miller is attributing the 5 percent decline in residential average use to Columbia Kentucky's Demand-Side Management (DSM) programs.
 - c. If the response to 4b is no, provide all other factors that Columbia Kentucky attributes to this decline.

Response:

- a. Yes, the consumption figures in this response are weather normalized.
- b. While Columbia cannot state with certainty that the decline in average customer usage is solely directly attributable to the introduction of its

DSM programs, there are several reasons to believe that the introduction of the programs are a *factor* in contributing to the decline in usage. First, rebates promote the use of higher-efficiency appliances that use less energy. Almost all of the survey responses from customers who received Home Energy Check-Ups reflect either a “good” or “excellent” experience with many responses indicating they have made or plan to make further energy efficiency improvements to their homes. Additionally, furnace replacements for low-income customers is an opportunity to reduce lost heat from dilapidated older heating units.

c. While I state above that Columbia’s DSM programs attribute to the decline in average usage, there could be other contributing factors for the decline. One additional factor could be the increased public awareness of the benefits (including financial and environmental) of lower energy use.

**COLUMBIA GAS OF KENTUCKY, INC.
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FOURTH REQUESTS FOR INFORMATION
DATED JULY 23, 2018**

5. Refer to the Seelye Testimony, page 21, lines 9-11.
 - a. Provide all studies and resources that support Columbia's Kentucky's assertion that the appliance rebate and replacement programs are the contributing factors to the abatement of the decline in residential customers.
 - b. Provide any other sources that Columbia Kentucky believes is a contributing factor to the abatement of the decline in residential customers.
 - c. Provide the number of new customers since 2009 that have participated in the appliance program.

Response:

- a. On page 21 of his testimony, Mr. Seelye states as follows:

Columbia firmly believes that its appliance rebate and replacement programs have been key reasons that the decline in residential customers has abated since the

implementation of the rebate and replacement programs. Columbia is now experiencing an increase in the number of residential customers that it serves, in large part, Columbia strongly believes, because its rebate and replacement programs place gas appliances on a more favorable footing in comparison to electric appliances.

It is common knowledge in the industry that stand-alone gas utilities are struggling to compete with electric utilities. (See Seelye Exhibit-6 and Seelye Exhibit-7.) The tapering off of the decrease in the number of residential customers after the implementation of the appliance rebate and replacement programs *strongly suggests* that the programs have been effective in halting the decrease in the number of residential customers. This belief is also based on the Company's experience working with contractors, plumbers, HVAC professionals and customers, who have responded favorably to the programs. Columbia has not conducted a detailed market research study to verify that the rebate and replacement programs were the primary factor for halting the decrease in the number of customers. Columbia does not believe that the modest amount of spending on the programs would justify the cost of performing such a market research study.

- b. Columbia is unaware of any other factors that would have contributed to the abatement of the decline in residential customers after the implementation of the appliance rebate and replacement programs.
- c. A “new” customer to Columbia could be an existing customer that has retrofitted its appliances for natural gas or a new residential premise, or a new occupant of an existing premise. Columbia has not tracked the type of customers, as to current customers of Columbia, new customers to Columbia or new premises, that have received rebates. Columbia is certain that many of the rebates have been provided to new customers or residential home contractors that have established new customer accounts.

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DATED JULY 23, 2018**

6. Refer to the Seelye Testimony, page 22, lines 5-17.

a. Explain if contractors are able to participate in the appliance rebate program.

b. Explain if Columbia Kentucky believes a purpose of DSM programs is for customer retention.

Response:

(a) Yes, residential home contractors are eligible for the appliance rebate program. If the builder or developer establishes the natural gas customer account then they are the customer of record and the account owner eligible for the rebate associated with the installation at the premise.

(b) The primary purpose of Columbia's DSM programs is to encourage customers to use natural gas more efficiently. However, customer

retention is a significant ancillary benefit of the programs, particularly the rebate and replacement programs. As explained in my direct testimony, without the appliance rebate and replacement programs, Columbia is at a greater risk of losing new and existing customers to electric utilities.

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7. Refer to the Seelye Testimony, page 23, lines 12-15. Provide any customer surveys and studies that Columbia conducted to support its claim that Columbia Kentucky's appliance rebate programs could prevent another significant customer decrease as it experienced during the 2002 to 2009 timeline.

Response:

It is Columbia's position that the appliance rebate and replacement programs are important programs for residential customer retention and growth on its system. Columbia has not conducted a market research study to demonstrate that Columbia Kentucky's appliance rebate programs could prevent another significant customer decrease as it experienced during the 2002 to 2009 timeline. Columbia does not believe that the cost of such a market research study would be justified considering the relatively modest funding for the rebate and replacement programs.

However, Columbia does believe that the fact that it is no longer experiencing a decline in the number of customers after the implementation of these programs strongly suggests that the programs have been helpful.

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8. Refer to Seelye Testimony, page 24, lines 5-15. Explain if it is Columbia Kentucky's position that if it had the appliance rebate program from 2002 through 2009, the utility would not have lost 5,000 customer.

Response: It is Columbia's position that the appliance rebate and replacement programs are important programs for residential customer retention and growth on its system. While the decline in residential customers prior to implementation of the rebate and replacement programs strongly suggests that these programs have been instrumental in halting the decrease in customers, Columbia has not conducted a detailed (and costly) market research study that would verify with certainty that if Columbia had these programs in place during the 2002 to 2009 timeframe then Columbia may not have experienced a net loss in residential customers.

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9. Refer to the Seelye Testimony, Exhibit Seelye-3.

a. Explain the increase in program administration costs from October 2015 through October 2017.

b. Explain why these costs are not included in the TRC scores.

Response:

a. Exhibit Seelye-3 shows that administrative costs vary from year to year, for an average of \$31,000 per year. The costs were higher during 2014 and 2017 because of additional expenditures incurred for marketing, which are not the same each year. For this reason, the expenditures for 2014 and 2017 were higher than normal.

b. The program costs included in the TRC scores were based on targeted program costs which would include the administrative costs that have averaged \$31,000 for all three programs over the life of the program.