**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO COMMISSION STAFF'S
FIFTH REQUESTS FOR INFORMATION
DATED AUGUST 3, 2018**

1.   Refer to Columbia Kentucky's Response to Staff's Fourth Request for Information (Staff's Fourth Request), Item 3. Refer to the Net Ben – HEA Rebate Tab, Total Resource Test.

a.   Explain how the retained MCF is calculated. Include and explanation of each input in the equation.

b.   Explain how the retained margin was calculated.

c.   Explain why the inclusion of the gas costs and the retained margin costs is not considered double counting.

Response:

a. The methodology used to calculate the retained margins is designed to calculate a retention percentage that is tied to natural gas prices. At current gas costs, the MCF retention percentage for the "1% Scenario" is equivalent to an *effective* retention of approximately 5.4% of participants (with an annual usage of 40 Mcf per participant), and it equivalent to an *effective*

retention of approximately 10.8% for the "2% Scenario".   ***Based on its***

experience with the program, Columbia believes that the actual customer

retention due to the HEA Rebate Program is higher than even the 10.8% as

assumed in the "2% Scenario".

In the formula, the current commodity price if gas is weighted by a factor

of 1.0% to determine an effective retention percentage of 5.4% ($5.4 X 1.0%

= 5.4%).   The purpose of this approach is to develop a retention percentage

that is scaled to the commodity price of natural gas; thereby placing greater

weighting on retention volumes as gas prices go up, or less weighting as

gas prices go down.   This is an approach for adjusting the retained MCF to

reflect an econometric factor (*viz.*, the price of natural gas).   In summary,

the following formula is used in the calculation for the 1% Scenario:

Retained MCF = (1% x Gas Commodity Price) x Number of Participants

x 40 MCF/Participant

= 5.4% x Number of Participants x 40 MCF/Participant

The following formula is used in the calculation for the 2% Scenario:

Retained MCF = (2% x Gas Commodity Price) x Number of Participants

x 40 MCF/Participant

= 10.8% x Number of Participants x 40 MCF/Participant

b. The margin is calculated as the difference between the gas price to the consumer (billing rate) less the commodity cost of gas.

c. As explained in the response to (a), the Gas Commodity Price is used to adjust the retention percentage. The effective retention percentage is 5.4% for the "1% Scenario" and 10.8% for the "2% scenario". Gas costs are not double counted.

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2. Refer to Columbia Kentucky's Response to Staff's Fourth Request for Information (Staff's Fourth Request), Item 3. Refer to the Net Ben – LIHEF Replacement tab.

a. Explain how the retained MCF is calculated. Include and explanation of each input in the equation.

b. Explain how the retained margin was calculated.

c. Explain why the inclusion of the gas costs and the retained margin costs is not considered double counting.

Response:

a. The methodology used to calculate the retained margins is designed to calculate a retention percentage that is tied to natural gas prices. At current gas costs, the MCF retention percentage for the "1% Scenario" is equivalent to an *effective* retention of approximately 5.4% of the participants (with an

annual usage of 40 Mcf per participant), and it equivalent to an *effective* retention of approximately 10.8% for the "2% Scenario". ***Based on its experience with the program, Columbia believes that the actual customer retention due to the LIHEF Replacement Program is higher than even the 10.8% assumed in the "2% Scenario".***

In the formula, the current commodity price if gas is weighted by a factor of 1.0% to determine an effective retention percentage of 5.4% ($5.4 X 1.0% = 5.4%).   The purpose of this approach is to develop a retention percentage that is scaled to the commodity price of natural gas; thereby placing greater weighting on retention volumes as gas prices go up, or less weighting as gas prices go down.   This is an approach for adjusting the retained MCF to reflect an econometric factor (*viz.*, the price of natural gas).   In summary, the following formula is used in the calculation for the 1% Scenario:

Retained MCF = (1% x Gas Commodity Price) x Number of Participants

x 40 MCF/Participant

= 5.4% x Number of Participants x 40 MCF/Participant

The following formula is used in the calculation for the 2% Scenario:

Retained MCF = (2% x Gas Commodity Price) x Number of Participants

x 40 MCF/Participant

$$= \textbf{10.8\% x Number of Participants x 40 MCF/Participant}$$

b. The margin is calculated as the difference between the gas price to the consumer (billing rate) less the commodity cost of gas.

c. As explained in the response to (a), the Gas Commodity Price is used to adjust the retention percentage. The effective retention percentage is 5.4% for the "1% Scenario" and 10.8% for the "2% scenario". Gas costs are not double counted.

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3.   Provide support of the inclusion of 1 percent and 2 percent customer retentions for the calculations of the California Tests.

Response:

As explained in the responses to Questions 1 and 2, the percentages were developed to yield effective customer retentions of approximately 5.4 and 10.8 percent but scaled to reflect changes in gas commodity costs.

Based on its experience with the HEA Rebate and LIHEF Replacement Programs, Columbia believes that the actual customer retention due to the HEA Rebate Program is higher than even the 10.8% as assumed in the "2% Scenario". Columbia believes that these programs have been instrumental in halting the reduction in the number of residential customers that it was experiencing prior to the implementation of the programs.

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4.   Provide the California Test results with no assumed customer retentions.

Response:

See attachment. Columbia would like to note that it does not believe that zeroing out the assumed customer retentions will provide a reasonable value to Columbia's existing customers from the HEA Rebate Program and the LIHEF Replacement Program. Columbia contends that these programs have been and continue to be instrumental in adding new residential customers and the retention of existing customers. Retaining residential customers, even with less usage resulting from conservation due to participation in Columbia's programs, allows fixed costs to be spread over more MCF and customer-months, thereby providing a benefit to all of Columbia's existing customers.