COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND OTHER RELIEF	)	Case No. 2021-00183
	)	

COLUMBIA GAS OF KENTUCKY, INC.'S RESPONSES TO COMMISSION STAFF'S FIFTH REQUEST FOR INFORMATION

FILED: October 20, 2021

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND OTHER RELIEF	)	Case No. 2021-00183

VERIFICATION OF CHUN-YI LAI

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Chun-Yi Lai, Financial Planning Manager for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Chun-Yi Lai

The foregoing Verification was signed, acknowledged and sworn to before me this 18 day of October, 2021, by Chun-Yi Lai.

Notary Commission No. 2019-RE-765767

Commission expiration: 1-24-2024

NOTARY PUBLIC STATE OF OHIO

MICHAEL SHUMATE
Notary Public, State of Ohio
My Commission Expires
January 24, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND OTHER RELIEF	)	Case No. 2021-00183

VERIFICATION OF DAVID ROY

COMMONWEALTH OF KENTUCKY	)
	)
COUNTY OF FAYETTE	)

David Roy, Vice President of Operations and Construction of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

David Roy

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of October, 2021, by David Roy.

Evelyn Long Durr

Notary Commission No. 600778

Commission expiration: 05/15/2022

EVELYN LONG DURR
Notary Public
Commonwealth of Kentucky
Commission Number 600778
My Commission Expires May 15, 2022

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF	)	
COLUMBIA GAS OF KENTUCKY, INC. FOR AN	)	
ADJUSTMENT OF RATES; APPROVAL OF	)	
DEPRECIATION STUDY; APPROVAL OF TARIFF	)	Case No. 2021-00183
REVISIONS; ISSUANCE OF A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY; AND	)	
OTHER RELIEF		

VERIFICATION OF DAVID A. MONTE

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

David A. Monte, Senior Vice President for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

David A. Monte

The foregoing Verification was signed, acknowledged and sworn to before me this 19 day of October, 2021, by David A. Monte.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF	)	
COLUMBIA GAS OF KENTUCKY, INC. FOR AN	)	
ADJUSTMENT OF RATES; APPROVAL OF	)	
DEPRECIATION STUDY; APPROVAL OF TARIFF	)	Case No. 2021-00183
REVISIONS; ISSUANCE OF A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY; AND	)	
OTHER RELIEF	)	

VERIFICATION OF JEFFERY GORE

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Jeffery Gore, Regulatory Manager for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of certain response to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Jeffery Gore

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of October, 2021, by Jeffery Gore.

Notary Commission No. N/A

Commission expiration: N/A

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND OTHER RELIEF	)	Case No. 2021-00183

VERIFICATION OF KEVIN JOHNSON

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Kevin Johnson, Lead Regulatory Analyst for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Kevin Johnson

Kevin Johnson

The foregoing Verification was signed, acknowledged and sworn to before me this 18th day of October, 2021, by Kevin Johnson.

Nicholas Staniszewski

NOTARY PUBLIC STATE OF OHIO
NICHOLAS C STANISZEWSKI
Notary Public State of Ohio
My Comm. Expires October 17, 2023

Notary Commission No. N/A

Commission expiration: 10/17/2023

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF	)	
COLUMBIA GAS OF KENTUCKY, INC. FOR AN	)	
ADJUSTMENT OF RATES; APPROVAL OF	)	
DEPRECIATION STUDY; APPROVAL OF TARIFF	)	Case No. 2021-00183
REVISIONS; ISSUANCE OF A CERTIFICATE OF	)	
PUBLIC CONVENIENCE AND NECESSITY; AND	)	
OTHER RELIEF		

VERIFICATION OF SUSAN TAYLOR

STATE OF OHIO	)
	)
COUNTY OF FRANKLIN	)

Susan Taylor, Director of Financial Planning for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Susan Taylor

Susan Taylor

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of October, 2021, by Susan Taylor.

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

Notary Commission No. N/A

Commission expiration: N/A

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
THE ELECTRONIC APPLICATION OF)
COLUMBIA GAS OF KENTUCKY, INC. FOR AN)
ADJUSTMENT OF RATES; APPROVAL OF)
DEPRECIATION STUDY; APPROVAL OF) Case No. 2021-00183
TARIFF REVISIONS; ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND)
NECESSITY; AND OTHER RELIEF

VERIFICATION OF SUZANNE K. SURFACE

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Suzanne K. Surface, Senior Vice President for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Suzanne K. Surface

Suzanne K. Surface

The foregoing Verification was signed, acknowledged and sworn to before me this 20th day of October, 2021, by Suzanne K. Surface.

Notary Commission No. N/A

Commission expiration: N/A

NOTARIAL SEAL STATE OF OHIO

John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
Sec. 147.03 R.C.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
THE ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; ISSUANCE OF A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY; AND OTHER RELIEF	)	Case No. 2021-00183
	)	

VERIFICATION OF VINCENT REA

STATE OF NORTH CAROLINA	)
	)
COUNTY OF MOORE	)

Vincent Rea, Managing Director of Regulatory Finance Associates, LLC, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

Vincent V. Rea

Vincent Rea

The foregoing Verification was signed, acknowledged and sworn to before me this 19 day of October, 2021, by Vincent Rea.

Stephen W Sikes

STEPHEN W SIKES
Notary Public, North Carolina
Moore County
My Commission Expires
October 21, 2023

Notary Commission No. __________

Commission expiration: 10-21-23

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

1. Confirm that the results of Columbia Kentucky's lead/lag study indicate that ratepayers are financing Columbia Kentucky's cash needs in the amount of $6,942,997. If confirmed, explain why Columbia Kentucky's shareholders should earn a return on the $6,942,997 financed by ratepayers.

Response:

The results of Columbia Kentucky's Lead Lag study does indicate that ratepayers are financing Columbia Kentucky's cash needs. Provided below are reasons why the Company did not request a Cash Working Capital ("CWC") adjustment.

In past cases, the Company has used the 1/8 of Operations & Maintenance expense method (formula approach) to calculate its CWC requirement. Had the Company used this method in this case, the Company would have calculated a $6,983,685 requirement. The difference between calculating the CWC requirement using the 1/8 of Operations & Maintenance expense formula approach method and the Lead Lag method is significant (approximately $13.9 million difference). The

Company is not requesting the full amount that would have been requested in prior cases using the 1/8 of Operations & Maintenance expense formula approach but instead is reducing the amount that would have been requested by not requesting a CWC adjustment.

The Company believes the Commission has not required a negative CWC adjustment in other rate cases, including Case No. 2019-00271 and Case No. 2020-00174. In both cases, the Commission reduced the CWC adjustment to zero as a result of the sale of accounts receivable even though the results could have resulted in a negative amount.

The negative CWC calculation using the Lead Lag method is driven by the Budget Plan resetting in April each year. The Budget Plan is offered to our customers and allows them to pay the same amount each month as calculated based on the usage, weather, and projected costs of that customer.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

2. Refer to Columbia Kentucky's Response to the Attorney General's First Request for Information Item 204. Provide an explanation of how Columbia Kentucky determined the amount of association dues specifically tied to lobbying activities removed in its ratemaking adjustment.

Response: The amount of AGA dues associated with lobbying activities is provided by AGA. As defined by the Budget Reconciliation Act of 1993, AGA is required to provide this information to its members. The portion of dues that is allocable to lobbying is 3.8%. Columbia determined the amount of its ratemaking adjustment to remove the lobbying expense portion of its dues in the forecasted test period by applying a 4.22% inflation factor to the historical 2020 AGA associated lobbying expense of $2,338. This yielded the removal of $2,243 from the 2022 forecasted association dues of $49,600.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

3. Refer to the Attorney General's witness David Dittemore's Direct Testimony, pages 17–19. Provide a detailed list of all factors that contribute to Columbia Kentucky's high operation and maintenance expenses relative to its peers.

Response:

We will address the PSC Staff's question as part of this response, and will further address the conclusions proposed by Attorney General witness Mr. Dittemore. Mr. Dittemore's testimony in these pages refers to the results of a benchmarking study that was performed in 2020 based on the years 2016, 2017 and 2018. In the period shown, Columbia did have costs in excess of the benchmarked peers, in part due to the age, condition and geography of Columbia's service territory, and in part due to the company's investments in ensuring public safety. The benchmarking study also identified areas of focus to lower the overall NiSource cost structure. NiSource is currently engaged in a multi-year transformational effort to enhance performance and reduce O&M expense, which has resulted in lowering Columbia's operating costs by $3.8 M in the test period. Finally, as we will further explain, Mr. Dittemore has used the benchmarking study as a rationale to propose a flawed inflation based adjustment to Columbia's operation and maintenance expense in this case, which is based on a faulty analysis, and which should be rejected by the Commission.

As detailed below, Columbia has identified some of the cost drivers that have impacted the company historically, and which continue to impact the Company's costs in this case.

<u>Identified Cost Drivers</u>

Each gas utilities' operation and maintenance expenses relative to its peer companies will be driven by a variety of factors. The most significant of these will be:

- The age, condition, and pipe inventory of its infrastructure.
- Its operating geography and customer density.
- The age and condition of the residential housing stock that it serves.
- The operational rules requirements and tariffs of the jurisdictions in which it operates.
- The age and capability of its supporting technology and corporate services
- The cost of its labor force, benefits and related union environment
- Its commitment level to continuous improvement of the safety and service of its customers

In consideration of these driving factors, Columbia operates an older infrastructure with many miles of bare steel and cast-iron pipe. While active replacement programs are reducing this inventory, the maintenance and repair associated with this older infrastructure is much higher than more modernized gas systems and materials. Additionally Columbia's geography in certain areas is physically challenging, and supports multiple rural communities. These rural areas operate at a much higher O&M cost per customer as a result of lower customer density as compared to its urban areas. Additionally, Columbia's relatively older residential housing stock creates additional customer demand with respect to customer generated leaks and service requirements.

The Commonwealth of Kentucky also has operating requirements that are incremental compared to other jurisdictions with respect to meter testing and repair and inspections of curb valves. While these additional requirements have added benefits and protections for customers, they also contribute to higher operating costs as compared to other companies.

Columbia has also optimized the age of its work management system, customer information system, and field supporting technologies. While optimizing the use of these systems was cost beneficial for many years, we are now at a point where advances in technology have created new capabilities that can drive efficiencies in field work completion. Thus the cost of certain work processes can be translated into lower operating costs with capital investments in new IT systems, which are addressed further in Mr. Rozsa's direct testimony.

Lastly, Columbia committed in 2018 along with several peer companies across the United States to implement the American Petroleum Institute's recommended practice 1173, Pipeline Safety Management Systems ("SMS"). Traditionally the gas industry has responded to major incidents and events with new rules and regulation to prevent reoccurrence. While it is always important to learn from safety incidents, it often comes at the price of loss of life and property. The 10 elements of SMS assist companies in establishing an operating model for their business. It is a framework that is based in predictive and preventive risk mitigating actions rather than simply responding when an event occurs. Over time these safety investments will drive down incidents in the gas industry, improve customer safety and reliability, and better protect our employees, business partners and communities.

Columbia's safety plan this year focused on expanding training for engineers, front line leaders and field employees, developing a new process for safety procedure reviews, creating standard operating procedures/checklists to assure compliance to critical processes, increase field based safety audits and observations, improving maps and records, and initiating new safety technologies.

NiSource Next Transformation Effort and Efficiencies

Columbia recognizes there were a number of addressable factors that contributed to higher operation and maintenance expenses relative to its peers in the benchmarking study referenced by Mr. Dittemore. In fact, this benchmarking study was one of several data points used by the company to undergo the significant transformational initiatives addressed by NiSource Next, reducing Columbia's O&M claim in the case by approximately $3.8 million. NiSource Next identified four major workstreams, each with multiple initiatives designed to drive effectiveness and efficiency. These are listed below, along with a description of the initiatives that were identified to address the Company's cost structure, and the associated savings reflected in Columbia's budget in 2022.

NiNext Transformation Initiative	**2022 Budgeted Savings - Columbia Gas of Kentucky**
Optimize Organization & Talent – This workstream included a voluntary separation program, enforces managerial spans and layers across the organization, simplifies the organizational structure across operating segments, and reduces administrative costs.	[redacted]
Connected Customer Experience – Initiatives creating digital service solutions for customers to enhance convenience and accessibility while reducing call volumes	[redacted]
Operational Work Standardization – Key programs focus on updated Capital Policy and changing our work management system to capture supporting data, modifying the way	[redacted]

NiSource performs maintenance operations, and enabling strategies to allow front line leaders to work more effectively.	
Evolution of Business Services – Contracted with a third party provider of select finance, supply chain, HR and tax services to drive efficiencies	[redacted]
IT Functional Initiatives – Initiatives to improve cost structures from managed service providers, software and hardware, and moving to a more variable staffing model	[redacted]
Other Functional Initiatives – Initiatives across corporate services (HR, Communications, Legal and Supply Chain) designed to improve cost structures by managing demand, enhancing technology, and standardizing internal practices	[redacted]

As a result of these efficiencies, Columbia, based upon the benchmarking study referenced by Mr. Dittemore, would no longer be in the 4th quartile. Instead, we believe the Company would now place in the 3rd to 2nd quartile range of its peers.

Concerns with Attorney General Witness Dittemore's Analysis

Inflation Adjustment –There are number of problems with the inflation factor used by Mr. Dittemore. First the inflation adjustment is calculated incorrectly. Mr. Dittemore applies the 2017 inflation factor of 9.94% to the wrong period of time to calculate his O&M decrease of $4,083,988. If relying on this method to calculate an adjustment, the 2017 inflation factor should be applied to the 2017 average O&M cost per customer not an

[1] The contract with Tata Consulting Services (TCS) was signed after the 2021 budget was finalized. The Columbia allocated portion of the 2022 savings was reflected as an efficiency adjustment to reduce CKY's cost of service; see Ms. Taylor's direct testimony.

average 2016-2018 O&M costs per customer. When calculated correctly, the average cost per customer for 2022 equates to $445.26 and would yield an increase of $99,101 instead of a decrease of $4,083,988.

Average Cost per Customer 2017			$	405.00
Inflation Factor per ST-4	5/			9.94%
Inflation Adjusted Book Costs to Forecast Period			$	445.26
Less: 2022 As AG Adjusted Forecast Period O&M Costs	6/		$	(444.43)
Adjustment Per Customer			$	0.82
Number of Customers				119,403
Adjustment to O&M			$	98,479
Revenue Gross-up Factor				1.00632
Revenue Requirement Impact			$	99,101

Second, Mr. Dittemore utilized calendar year 2016 in his calculation of an inflation factor. This year is not relevant in this case as it does not reflect the increase in revenue requirement of $13.086 million approved in Case No. 2016-00162, effective December 27, 2016.

Third, the application of an inflation factor to O&M expenses, more specifically Columbia direct, is not appropriate as certain elements of costs directly charged to Columbia are driven by Columbia's work plan or industry events outside of Columbia's control as identified and explained in the testimony of Columbia Witness Chun-Yi Lai.

In summary, Columbia's cost structure as proposed in this case is appropriate and provides enhanced safety to its customers. Mr. Dittemore has not identified any specific costs included in this case that are inappropriate or unjust or unreasonable. Instead, Mr. Dittemore requests his adjustment based solely upon a faulty analysis. The infirmities of

Mr. Dittemore's analysis will be explained in the rebuttal testimonies of Columbia witnesses Lai, Taylor, and Surface. Specifically, Columbia Witness Surface demonstrates that Mr. Dittemore's quantitative analysis inappropriately discounts the progress that NiSource and Columbia have made through the NiSource Next efficiency initiatives. Ms. Surface's rebuttal testimony also shows that, when viewed appropriately, NiSource O&M costs are reasonable and during the future test year should fall in between the 3rd and 2nd quartile of its peers. Columbia Witness Taylor's testimony also identifies the flaws in Mr. Dittemore's analysis related to the years to compare and application of the inflation factor. Finally, witness Lai's rebuttal testimony specifically explains the increases in costs that are driving Columbia Kentucky's O&M costs and how Columbia Kentucky is experiencing similar cost increases to its peers across the utility industry.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

4. Refer to Columbia Kentucky's Response to Staff's Third Request for Information (Staff's Third Request), Item 3, Attachment B.

a. Provide a breakdown of the proposed $40,000,000 capital spend specifically attributed to the replacement of bare steel pipe.

b. Provide a breakdown of the proposed $40,000,000 capital spend specifically attributed to projects associated with the Phase 1 Low Pressure program approved in Commission Case No. 2019-00257.

c. Provide a breakdown of the proposed $40,000,000 capital spend specifically attributed to projects not associated with the Phase 1 Low Pressure program approved in Case No. 2019-00257.

Response:

a.) Most of the projects specified in the referenced attachment from the Staff's third data request contain some amount of bare steel. Therefore, the total sum of estimated costs from projects attributed to the replacement of some level of bare steel projects is approximately $39.4 million.[1] Columbia does not break down the cost of a project based on footage of the type of pipe to be retired. Rather, Columbia's cost estimates include the cost to install the new pipeline of a specific length and particular type (ordinarily steel or plastic) that is capable of supporting the same customer base as the pipe that is being retired. When Columbia replaces a pipe it ordinarily abandons in place the old pipe that is being replaced and places the new pipe in the most advantageous and cost effective locations available.

b.) No low pressure projects are included in the referenced attachment. However, since that data request was submitted, an additional $1.1 million of low pressure projects linked to Commission Case No. 2019-00257 were identified as carry over from 2020. These costs are an approximation as they are being finalized and stem from the completion of four automatic shutoff valve installations on low pressure systems as part of phase one of the low pressure program.

c.) No projects identified in the referenced attachment totaling $40 million are associated with the Phase 1 Low Pressure program approved in Case No. 2019-00257.

[1] Of the $40 million planned capital spend, only one project (South Ashland Ave. Cast Iron) contains no bare steel replacement and the estimated cost of that project is approximately $600,000.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

5. Refer to Columbia Kentucky's Response to Staff's Third Request, Item 4.

a. Provide a cost/benefit analysis between the use of the In-Line Inspection (ILI) and other Direct Assessment methods for Line DE.

b. Provide the payback period for the ILI investment in Line DE.

c. Refer to Attachment C. Provide support for the evaluation results.

d. Explain if the evaluation results are specific to Line DE, specific to Columbia Kentucky, or specific to NiSource.

Response:

a.) Columbia did not perform a cost/benefit analysis between the use of the In-Line Inspection ("ILI") and other Direct Assessment ("DA") methods for Line DE. As stated in the responses to Attorney General Data Request Set 1 item 70 part (a) and Commission Staff Set 3 item 23, based on the new assessment requirements found in DOT 192.917 an operator either needs to use ILI or a combination of traditional

DA methods and pressure testing ("PT") to properly assess high consequence areas ("HCA's") and moderate consequence areas ("MCA's"). DA methods alone will no longer be acceptable to meet the requirements of federal code. Additionally, due to the locations of the high and moderate consequence areas on Line DE, Columbia would be unable to pressure test the segments without either taking outages lasting several days for customers in the Georgetown area (including Toyota) or installing a significant amount of pipe paralleling the existing Line DE to maintain service while pressure testing is being completed. Pressure testing the HCA's and MCA's did not make operational sense with everything that would need to be done.

b.) The ILI project in progress for Line DE is being completed to satisfy new DOT federal requirements stipulated in 192-917. The past use of various DA methods to solely comply are no longer valid and comparable from a cost perspective. Columbia does not believe there is an appropriate apples to apples comparison to derive a "payback period" for this project.

c.) Please see KY PSC Case No. 2021-00183, Staff 5-5 Attachment A for the data used to generate the Pipeline Retrofit Costs for ILI and the ILI Integrity Assessment costs per mile for various increments. The data in Attachment A was gathered by a third party engineering firm to help complete the analysis. The DA Integrity Cost per Mile data for various increments was based on NiSource costs from 2019 and assumed four required digs at $25,000 per dig regardless of length plus a cost of $6,500 per mile depending on the length. An assumed length of 2, 7, 12, and 17 miles were used for the < 5, 5 to < 10, 10 to < 15, and > 15 mile groupings. Likewise, the PT Cost per Mile data for various increments was based on NiSource costs from 2019 and assumed a $480,000 base cost (regardless of length) plus a cost of $1,250 per mile depending on the length. An assumed length of 2, 7, 12, and 17 miles were used for the < 5, 5 to < 10, 10 to < 15, and > 15 mile groupings.

d.) The results for the DA and PT are specific to NiSource; however, the ILI data was generated from a third party engineering consultant. Columbia of Kentucky has not performed any ILI and PT assessments for integrity management purposes and only has performed DA on two different lines.

ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

6. Refer to Columbia Kentucky's Response to Staff's Fourth Request for Information, Item 6a. For the same proxy group companies and Columbia Kentucky affiliates, and along with the data already given on the return of equity (ROE) component of the Cost Recovery Mechanism, provide also: the docket number, filing date, approval and effective date of the ROE, requested ROE, approved ROE, and whether the ROE and ROE associated with its Cost Recovery Mechanism was the result of a settlement or fully litigated rate case.

Response:

The requested information for each of Columbia's affiliate companies is presented below:

<u>Columbia Gas of Maryland, Inc. (STRIDE)</u>
Docket Number: C-9644
Filing Date: May 15, 2020
Approval Date: November 9, 2020
Effective Date: December 11, 2020
Requested ROE: 10.95%
Approved ROE: 9.60%
Decision Type: Settlement

Columbia Gas of Virginia, Inc. (SAVE)
Docket Number: PUR-2019-00132 (SAVE)
Filing Date: August 15, 2019
Approval Date: December 6, 2019
Effective Date: January 1, 2020
Requested ROE: 9.70%
Approved ROE: 9.70%
Decision Type: Settlement

Columbia Gas of Ohio, Inc. (CEP/IRP)
Docket Number: C-08-0072-GA-AIR
Filing Date: March 3, 2008
Approval Date: October 24, 2008
Effective Date: December 3, 2008
Requested ROE: 11.50%
Approved ROE: 10.39%
Decision Type: Settlement

Columbia Gas of Pennsylvania, Inc. (DSIC)
Docket Number: M-2021-3028637
Filing Date: September 17, 2021
Approval Date: September 28, 2021
Effective Date: October 1, 2021
Requested ROE: 10.00%
Approved ROE: 10.00%
Decision Type: Settlement

NIPSCO – Gas (TDSIC)
Docket Number: Cause No. 44988
Filing Date: September 27, 2017
Approval Date: September 19, 2018
Effective Date: October 1, 2018
Requested ROE: 10.70%
Approved ROE: 9.85%
Decision Type: Settlement

NIPSCO – Electric (TDSIC)
Docket Number: Cause No. 45159
Filing Date: October 31, 2018
Approval Date: December 4, 2019
Effective Date: January 1, 2020
Requested ROE: 10.80%
Approved ROE: 9.75%
Decision Type: Partial Settlement

With regard to the requested information for the proxy group companies, the Company does not maintain a database of the commission orders or rate tariffs which delineate the requested information. This is the case because the information contained in the direct testimony and exhibits of Columbia Witness Rea with respect to the infrastructure cost recovery mechanisms employed by the proxy group companies was derived from Securities and Exchange Commission (SEC) filings and company investor presentations, rather than commission orders or rate tariffs. For this reason, the Company does not maintain a database of the applicable docket numbers or other requested information for each of these proceedings.

Please see KY PSC Case No. 2021-00183, Staff 5-6, Attachment A, which provides examples of the data that was referenced by Company Witness Rea, and which were sourced from SEC filings (10-K filings) and/or utility company investor presentations.

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended September 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-10042

Atmos Energy Corporation

(Exact name of registrant as specified in its charter)

Texas and Virginia	**75-1743247**
(State or other jurisdiction of incorporation or organization)	*(IRS employer identification no.)*
1800 Three Lincoln Centre **5430 LBJ Freeway** **Dallas, Texas**	**75240**
(Address of principal executive offices)	*(Zip code)*

Registrant's telephone number, including area code:

(972) 934-9227

Securities registered pursuant to Section 12(b) of the Act:

Table of each class		Trading Symbol	Name of each exchange on which registered
Common stock	No Par Value	ATO	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the common voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, March 31, 2020, was $11,938,304,144.

As of November 6, 2020, the registrant had 125,889,456 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement to be filed for the Annual Meeting of Shareholders on February 3, 2021 are incorporated by reference into Part III of this report.

of the Barnett Shale, the Texas Gulf Coast and the Permian Basin of West Texas. Through its system, APT provides transportation and storage services to our Mid-Tex Division, other third party local distribution companies, industrial and electric generation customers, marketers and producers. As part of its pipeline operations, APT owns and operates five underground storage reservoirs in Texas.

Revenues earned from transportation and storage services for APT are subject to traditional ratemaking governed by the RRC. Rates are updated through periodic filings made under Texas' GRIP. GRIP allows us to include in our rate base annually approved capital costs incurred in the prior calendar year provided that we file a complete rate case at least once every five years; the most recent of which was completed in August 2017. APT's existing regulatory mechanisms allow certain transportation and storage services to be provided under market-based rates.

Our natural gas transmission operations in Louisiana are comprised of a 21-mile pipeline located in the New Orleans, Louisiana area that is primarily used to aggregate gas supply for our distribution division in Louisiana under a long-term contract and, on a more limited basis, to third parties. The demand fee charged to our Louisiana distribution division for these services is subject to regulatory approval by the Louisiana Public Service Commission. We also manage two asset management plans in Louisiana that serve distribution affiliates of the Company, which have been approved by applicable state regulatory commissions. Generally, these asset management plans require us to share with our distribution customers a significant portion of the cost savings earned from these arrangements.

Ratemaking Activity

Overview

The method of determining regulated rates varies among the states in which our regulated businesses operate. The regulatory authorities have the responsibility of ensuring that utilities in their jurisdictions operate in the best interests of customers while providing utility companies the opportunity to earn a reasonable return on their investment. Generally, each regulatory authority reviews rate requests and establishes a rate structure intended to generate revenue sufficient to cover the costs of conducting business, including a reasonable return on invested capital.

Our rate strategy focuses on reducing or eliminating regulatory lag, obtaining adequate returns and providing stable, predictable margins, which benefit both our customers and the Company. As a result of our ratemaking efforts in recent years, Atmos Energy has:

- Formula rate mechanisms in place in four states that provide for an annual rate review and adjustment to rates.
- Infrastructure programs in place in all of our states that provide for an annual adjustment to rates for qualifying capital expenditures. Through our annual formula rate mechanisms and infrastructure programs, we have the ability to recover approximately 90 percent of our capital expenditures within six months and substantially all of our capital expenditures within twelve months.
- Authorization in tariffs, statute or commission rules that allows us to defer certain elements of our cost of service such as depreciation, ad valorem taxes and pension costs, until they are included in rates.
- WNA mechanisms in seven states that serve to minimize the effects of weather on approximately 97 percent of our distribution residential and commercial revenues.
- The ability to recover the gas cost portion of bad debts in five states.

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The following table provides a jurisdictional rate summary for our regulated operations as of September 30, 2020. This information is for regulatory purposes only and may not be representative of our actual financial position.

Division	Jurisdiction	Effective Date of Last Rate/ GRIP Action	Rate Base (thousands)(1)	Authorized Rate of Return(1)	Authorized Debt/ Equity Ratio(1)	Authorized Return on Equity(1)
Atmos Pipeline — Texas	Texas	05/20/2020	$2,698,343	8.87%	47/53	11.50%
Colorado-Kansas	Colorado	05/03/2018	134,726	7.55%	44/56	9.45%
	Colorado SSIR	01/01/2020	56,507	7.55%	44/56	9.45%
	Kansas	04/01/2020	242,314	7.03%	44/56	9.10%
	Kansas GSRS	05/01/2019	26,322	(4)	(4)	(4)
Kentucky/Mid-States	Kentucky	05/08/2019	424,929	7.49%	42/58	9.65%
	Kentucky-PRP	10/01/2019	27,315	7.49%	42/58	9.65%
	Tennessee	06/01/2019	389,061	7.79%	42/58	9.80%
	Virginia	04/01/2019	47,827	7.43%	42/58	9.20%
	Virginia-SAVE	10/01/2019	684	7.43%	42/58	9.20%
Louisiana	Louisiana	07/01/2020	747,021	7.57%	42/58	9.80%
Mid-Tex	Mid-Tex Cities(6)	10/01/2019	3,052,562(5)	7.83%	42/58	9.80%
	Mid-Tex - ATM Cities	06/01/2020	3,654,981(5)	7.97%	40/60	9.80%
	Mid-Tex - Environs	05/20/2020	3,654,985(5)	7.97%	40/60	9.80%
	Dallas	09/01/2020	3,510,508(5)	7.83%	40/60	9.80%
Mississippi	Mississippi(7)	11/01/2019	448,533	7.81%	(4)	(4)
	Mississippi - SIR(7)	11/01/2019	185,844	7.81%	(4)	(4)
West Texas	West Texas Cities(8) (10)	10/01/2019	591,513(9)	7.83%	42/58	9.80%
	West Texas - ALDC	04/28/2020	671,738(9)	8.57%	48/52	10.50%
	West Texas - Environs	06/16/2020	667,994(9)	7.97%	40/60	9.80%

Division	Jurisdiction	Bad Debt Rider(2)	Formula Rate	Infrastructure Mechanism	Performance Based Rate Program(3)	WNA Period
Atmos Pipeline — Texas	Texas	No	Yes	Yes	N/A	N/A
Colorado-Kansas	Colorado	No	No	Yes	No	N/A
	Kansas	Yes	No	Yes	Yes	October-May
Kentucky/Mid-States	Kentucky	Yes	No	Yes	Yes	November-April
	Tennessee	Yes	Yes	Yes	Yes	October-April
	Virginia	Yes	No	Yes	No	January-December
Louisiana	Louisiana	No	Yes	Yes	No	December-March
Mid-Tex Cities	Texas	Yes	Yes	Yes	No	November-April
Mid-Tex — Dallas	Texas	Yes	Yes	Yes	No	November-April
Mississippi	Mississippi	No	Yes	Yes	No	November-April
West Texas	Texas	Yes	Yes	Yes	No	October-May

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(1) The rate base, authorized rate of return, authorized debt/equity ratio and authorized return on equity presented in this table are those from the most recent regulatory filing for each jurisdiction. These rate bases, rates of return, debt/equity ratios and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.
(2) The bad debt rider allows us to recover from ratepayers the gas cost portion of bad debts.
(3) The performance-based rate program provides incentives to distribution companies to minimize purchased gas costs by allowing the companies and their customers to share the purchased gas costs savings.
(4) A rate base, rate of return, return on equity or debt/equity ratio was not included in the respective state commission's final decision.
(5) The Mid-Tex rate base represents a "system-wide," or 100 percent, of the Mid-Tex Division's rate base.
(6) The Mid-Tex Cities approved the Formula Rate Mechanism filing with rates effective December 1, 2020, which included a rate base of $3,726.3 million, an authorized return of 7.53%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.
(7) The Mississippi Public Service Commission approved a settlement at its meeting on October 6, 2020, which included a rate base of $721.6 million and an authorized return of 7.81%. New rates were implemented November 1, 2020.
(8) The West Texas Cities includes all West Texas Division cities except Amarillo, Channing, Dalhart and Lubbock (ALDC).
(9) The West Texas rate base represents a "system-wide," or 100 percent, of the West Texas Division's rate base.
(10) The West Texas Cities approved the Formula Rate Mechanism filing with rates effective December 1, 2020, which included a rate base of $660.9 million, an authorized return of 7.53%, a debt/equity ratio of 42/58 and an authorized ROE of 9.80%.

Although substantial progress has been made in recent years to improve rate design and recovery of investment across our service areas, we are continuing to seek improvements in rate design to address cost variations and pursue tariffs that reduce regulatory lag associated with investments. Further, potential changes in federal energy policy, federal safety regulations and changing economic conditions will necessitate continued vigilance by the Company and our regulators in meeting the challenges presented by these external factors.

Recent Ratemaking Activity

The amounts described in the following sections represent the annual operating income that was requested or received in each rate filing, which may not necessarily reflect the stated amount referenced in the final order, as certain operating costs may have changed as a result of the commission's or other governmental authority's final ruling. The following table summarizes the annualized ratemaking outcomes we implemented in each of the last three fiscal years.

Rate Action	Annual Increase (Decrease) to Operating Income For the Fiscal Year Ended September 30 2020	2019	2018
		(In thousands)	
Annual formula rate mechanisms	$ 160,857	$ 114,810	$ 92,472
Rate case filings	(1,057)	1,656	(12,853)
Other ratemaking activity	353	214	457
	$ 160,153	$ 116,680	$ 80,076

Additionally, the following ratemaking efforts seeking $131.9 million in annual operating income were initiated during fiscal 2020 but had not been completed or implemented as of September 30, 2020:

Division	Rate Action	Jurisdiction	Operating Income Requested
			(In thousands)
Kentucky/Mid-States	Infrastructure Mechanism	Virginia (1)	$ 410
Kentucky/Mid-States	Infrastructure Mechanism	Kentucky (2)	3,049
Mid-Tex	Formula Rate Mechanism	Mid-Tex Cities (3)	94,060
Mississippi	Infrastructure Mechanism	Mississippi (4)	10,526
Mississippi	Formula Rate Mechanism	Mississippi (4)	8,379
West Texas	Formula Rate Mechanism	West Texas Cities (5)	7,057
West Texas	Rate Case	Amarillo, Lubbock, Dalhart and Channing	8,406
			$ 131,887

(1) On August 21, 2020, the State Corporation Commission of Virginia approved a rate increase of $0.3 million effective October 1, 2020.
(2) On September 30, 2020, the Kentucky Public Service Commission approved a rate increase of $1.6 million effective October 1, 2020.
(3) The Mid-Tex Cities approved a rate increase of $82.6 million with new rates to be implemented on December 1, 2020.
(4) The Mississippi Public Service Commission approved an increase in operating income of $10.6 million for the SIR filing and $5.9 million for the SRF filing. New rates were implemented November 1, 2020.
(5) The West Texas Cities approved a rate increase of $5.6 million with new rates to be implemented on December 1, 2020.

Our recent ratemaking activity is discussed in greater detail below.

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Annual Formula Rate Mechanisms

As an instrument to reduce regulatory lag, formula rate mechanisms allow us to refresh our rates on an annual basis without filing a formal rate case. However, these filings still involve discovery by the appropriate regulatory authorities prior to the final determination of rates under these mechanisms. The following table summarizes our annual formula rate mechanisms by state.

	Annual Formula Rate Mechanisms	
State	**Infrastructure Programs**	**Formula Rate Mechanisms**
Colorado	System Safety and Integrity Rider (SSIR)	—
Kansas	Gas System Reliability Surcharge (GSRS)	—
Kentucky	Pipeline Replacement Program (PRP)	—
Louisiana	(1)	Rate Stabilization Clause (RSC)
Mississippi	System Integrity Rider (SIR)	Stable Rate Filing (SRF)
Tennessee	(1)	Annual Rate Mechanism (ARM)
Texas	Gas Reliability Infrastructure Program (GRIP), (1)	Dallas Annual Rate Review (DARR), Rate Review Mechanism (RRM)
Virginia	Steps to Advance Virginia Energy (SAVE)	—

(1) Infrastructure mechanisms in Texas, Louisiana and Tennessee allow for the deferral of all expenses associated with capital expenditures incurred pursuant to these rules, which primarily consists of interest, depreciation and other taxes (Texas only), until the next rate proceeding (rate case or annual rate filing), at which time investment and costs would be recoverable through base rates.

The following table summarizes our annual formula rate mechanisms with effective dates during the fiscal years ended September 30, 2020, 2019 and 2018:

Division	Jurisdiction	Test Year Ended	Increase (Decrease) in Annual Operating Income (In thousands)	Effective Date
2020 Filings:				
Mid-Tex	DARR	09/2019	$ 14,746	09/01/2020
Louisiana	Louisiana (1)	12/2019	14,781	07/01/2020
West Texas	Environs (2)	12/2019	1,031	06/16/2020
Kentucky/Mid-States	Tennessee ARM	05/2019	714	06/15/2020
Mid-Tex	ATM Cities (2)	12/2019	11,148	06/12/2020
Mid-Tex	Environs (2)	12/2019	4,440	05/20/2020
Atmos Pipeline - Texas	Texas	12/2019	49,251	05/20/2020
West Texas	Amarillo, Lubbock, Dalhart and Channing (2)	12/2019	5,937	04/28/2020
Colorado-Kansas	Colorado SSIR	12/2020	2,082	01/01/2020
Mississippi	Mississippi - SIR	10/2020	7,586	11/01/2019
Mississippi	Mississippi - SRF	10/2020	6,886	11/01/2019
Kentucky/Mid-States	Virginia - SAVE	09/2020	84	10/01/2019
Kentucky/Mid-States	Kentucky PRP	09/2020	2,912	10/01/2019
Mid-Tex	Mid-Tex RRM Cities	12/2018	34,380	10/01/2019
West Texas	West Texas Cities RRM	12/2018	4,879	10/01/2019
Total 2020 Filings			$ 160,857	
2019 Filings:				
Mid-Tex	ATM Cities	12/2018	$ 6,591	09/26/2019
Louisiana	LGS	12/2018	7,124	07/01/2019

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Mid-Tex	Environs	12/2018	2,435	06/04/2019
West Texas	Environs	12/2018	1,005	06/04/2019
Mid-Tex	DARR	09/2018	9,452	06/01/2019
Kentucky/Mid-States	Tennessee ARM	05/2020	2,393	06/01/2019
Atmos Pipeline - Texas	Texas	12/2018	49,225	05/07/2019
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2018	5,692	05/01/2019
Colorado-Kansas	Kansas GSRS	12/2018	1,562	05/01/2019
Louisiana	Trans La	09/2018	4,719	04/01/2019
Colorado-Kansas	Colorado GIS	12/2019	87	04/01/2019
Colorado-Kansas	Colorado SSIR	12/2019	2,147	01/01/2019
Mississippi	Mississippi - SIR	10/2019	7,135	11/01/2018
Mississippi	Mississippi - SRF	10/2019	(118)	11/01/2018
Kentucky/Mid-States	Tennessee ARM	05/2019	(5,032)	10/15/2018
Mid-Tex	Mid-Tex RRM Cities	12/2017	17,633	10/01/2018
West Texas	West Texas Cities RRM	12/2017	2,760	10/01/2018
Total 2019 Filings			$ 114,810	
2018 Filings:				
Louisiana	LGS	12/2017	$ (1,521)	07/01/2018
West Texas	Amarillo, Lubbock, Dalhart and Channing	12/2017	4,418	06/08/2018
Mid-Tex	Environs	12/2017	1,604	06/05/2018
West Texas	Environs	12/2017	826	06/05/2018
Atmos Pipeline - Texas	Texas	12/2017	42,173	05/22/2018
Louisiana	Trans La	09/2017	(1,913)	05/01/2018
Colorado-Kansas	Kansas GSRS	09/2018	820	02/27/2018
Mississippi	Mississippi - SIR	10/2018	7,658	01/01/2018
Mississippi	Mississippi - SGR (3)	10/2018	1,245	01/01/2018
Mississippi	Mississippi - SRF (3)	10/2018	—	01/01/2018
Colorado-Kansas	Colorado SSIR	12/2018	2,228	12/20/2017
Atmos Pipeline - Texas	Texas	12/2016	28,988	12/05/2017
Kentucky/Mid-States	Kentucky - PRP	09/2018	5,638	10/27/2017
Kentucky/Mid-States	Virginia - SAVE	09/2017	308	10/01/2017
Total 2018 Filings			$ 92,472	

(1) Beginning in fiscal 2020, our Trans La and LGS filings were combined into one filing, per Commission order. These rates were implemented on July 1, 2020 subject to refund.
(2) The rate increases for our Texas GRIP filings were approved based on the effective date herein; however, the new rates were implemented beginning September 1, 2020.
(3) Beginning in fiscal 2019, our SGR rate base was combined with our SRF rate base, per Commission order.

Rate Case Filings

A rate case is a formal request from Atmos Energy to a regulatory authority to increase rates that are charged to customers. Rate cases may also be initiated when the regulatory authorities request us to justify our rates. This process is referred to as a “show cause” action. Adequate rates are intended to provide for recovery of the Company’s costs as well as a reasonable rate of return to our shareholders and ensure that we continue to safely deliver reliable, reasonably priced natural gas service to our customers.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2020
Or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission File Number 001-31303

BLACK HILLS CORPORATION

Incorporated in South Dakota IRS Identification Number 46-0458824

7001 Mount Rushmore Road
Rapid City, South Dakota 57702
Registrant's telephone number (605) 721-1700

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock of $1.00 par value	BKH	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the voting common equity held by non-affiliates of the registrant on the last business day of the registrant's most recently completed second fiscal quarter, June 30, 2020, was $3,528,768,075

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at January 31, 2021
Common stock, $1.00 par value	62,794,490 shares

Documents Incorporated by Reference
Portions of the registrant's Definitive Proxy Statement being prepared for the solicitation of proxies in connection with the 2021 Annual Meeting of Stockholders to be held on April 27, 2021, are incorporated by reference in Part III of this Form 10-K.

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We procure natural gas for our distribution customers from a diverse mix of producers, processors and marketers and generally use hedging, physical fixed-price purchases and market-based price purchases to achieve dollar-cost averaging within our natural gas portfolio. The majority of our procured natural gas is transported in interstate pipelines under firm transportation service agreements.

In addition to company-owned natural gas storage assets in Arkansas, Colorado and Wyoming, we also contract with third-party transportation providers for natural gas storage service to provide gas supply during the winter heating season and to meet peak day customer demand for natural gas.

The following table summarizes certain information regarding our regulated underground gas storage facilities as of December 31, 2020:

State	Working Capacity (Mcf)	Cushion Gas (Mcf)	Total Capacity (Mcf)	Maximum Daily Withdrawal Capability (Mcfd)
Arkansas	8,442,700	13,149,040	21,591,740	196,000
Colorado	2,360,895	6,165,315	8,526,210	30,000
Wyoming	5,733,900	17,145,600	22,879,500	36,000
Total	16,537,495	36,459,955	52,997,450	262,000

The following table summarizes certain information regarding our system infrastructure as of December 31, 2020:

State	Intrastate Gas Transmission Pipelines (in line miles)	Gas Distribution Mains (in line miles)	Gas Distribution Service Lines (in line miles)
Arkansas	935	5,090	1,223
Colorado	693	6,879	2,618
Iowa	165	2,839	2,151
Kansas	330	2,961	1,366
Nebraska	1,312	8,739	3,252
Wyoming	1,339	3,495	1,225
Total	4,774	30,003	11,835

Seasonal Variations of Business. Our Gas Utilities are seasonal businesses and weather patterns may impact their operating performance. Demand for natural gas is sensitive to seasonal heating and industrial load requirements, as well as market price. In particular, demand is often greater in the winter months for heating. Natural gas is used primarily for residential and commercial heating, so the demand for this product depends heavily upon weather throughout our service territories. As a result, a significant amount of natural gas revenue is normally recognized in the heating season consisting of the first and fourth quarters. Demand for natural gas can also be impacted by summer temperatures and precipitation, which can affect demand for irrigation.

Competition. We generally have limited competition for the retail distribution of natural gas in our service areas. Various restructuring and competitive initiatives have been discussed in several of the states in which our utilities operate. These initiatives are aimed at increasing competition. Additionally, electrification initiatives in our service territories could negatively impact demand for natural gas and decrease customer growth. To date, these initiatives have not had a material impact on our utilities. Although we face competition from independent marketers for the sale of natural gas to our industrial and commercial customers, in instances where independent marketers displace us as the seller of natural gas, we still collect a charge for transporting the gas through our distribution network.

Rates and Regulation. Our Gas Utilities are subject to the jurisdiction of the public utility commissions in the states where they operate. These commissions oversee services and facilities, rates and charges, accounting, valuation of property, depreciation rates and various other matters. The public utility commissions determine the rates we are allowed to charge for our utility services. Rate decisions are influenced by many factors, including the cost of providing service, capital expenditures, the prudence of costs we incur, views concerning appropriate rates of return, general economic conditions and the political environment. Certain commissions also have jurisdiction over the issuance of debt or securities and the creation of liens on property located in their states to secure bonds or other securities.

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Our Gas Utilities are authorized to use natural gas cost recovery mechanisms allowing rate adjustments reflecting changes in the wholesale cost of natural gas and recovery of all the costs prudently incurred in purchasing gas for customers. In addition to natural gas cost recovery mechanisms, other recovery mechanisms, which vary by utility, allow us to recover certain costs or earn a return on capital investments, such as energy efficiency plan costs and system safety and integrity investments.

The following table provides regulatory information for each of our natural gas utilities:

Subsidiary	Jurisdic-tion	Authorized Rate of Return on Equity	Authorized Return on Rate Base	Authorized Capital Structure Debt/Equity	Authorized Rate Base (in millions)	Effective Date	Additional Tariffed Mechanisms
Arkansas Gas	AR	9.61%	6.82% (a)	51%/49%	$451.5 (b)	10/2018	GCA, Main Replacement Program, At-Risk Meter Relocation Program, Legislative or Regulatory Mandated Expenditures, EECR, Weather Normalization Adjustment, Billing Determinant Adjustment
Colorado Gas	CO	9.20%	6.76%	50%/50%	$231.2	7/2020	GCA, EECR/DSM
RMNG	CO	9.90%	6.71%	53%/ 47%	$118.7	6/2018	System Safety Integrity Rider, Liquids/Off-system/Market Center Services Revenue Sharing
Iowa Gas	IA	Global Settlement	Global Settlement	Global Settlement	$109.2	2/2011	GCA, EECR, Capital Infrastructure Automatic Adjustment Mechanism, Farm Tap Tracker Adjustment, Gas Supply Optimization revenue sharing
Kansas Gas	KS	Global Settlement	Global Settlement	Global Settlement	$127.9	1/2015	GCA, Weather Normalization Tariff, Gas System Reliability Surcharge, Ad Valorem Tax Surcharge, Cost of Bad Debt Collected through GCA, Pension Levelized Adjustment
Nebraska Gas (c) (d)	NE	9.50%	6.71%	50%/50%	$504.2	3/2021	GCA, Cost of Bad Debt Collected through GCA, Infrastructure System Replacement Cost Recovery Surcharge, Choice Gas Program, System Safety and Integrity Rider, Bad Debt expense recovered through Choice Supplier Fee
Wyoming Gas (d)	WY	9.40%	6.98%	50%/50%	$354.4	3/2020	GCA, EECR, Rate Base Recovery on Acquisition Adjustment, Wyoming Integrity Rider, Choice Gas Program

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(a) Arkansas Gas return on rate base is adjusted to remove current liabilities from rate review capital structure for comparison with other subsidiaries.
(b) Arkansas Gas rate base is adjusted to include current liabilities for comparison with other subsidiaries.
(c) Information above reflects the NPSC order received on January 26, 2021. For additional information, see Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K.
(d) The Choice Gas Program mechanisms are applicable to only a portion of Nebraska Gas and Wyoming Gas customers.

All of our Gas Utilities, except where the Choice Gas Program is the only option, have GCAs that allow us to pass the prudently-incurred cost of gas and certain services through to the customer between rate reviews. Some of the mechanisms we have in place include the following:

Gas Utility Jurisdiction	Cost Recovery Mechanisms						
	DSM/Energy Efficiency	Integrity Additions	Bad Debt	Weather Normal	Pension Recovery	Gas Cost	Revenue Decoupling
Arkansas Gas	☑	☑		☑		☑	☑
Colorado Gas	☑					☑	
RMNG(a)		☑					
Iowa Gas	☑	☑				☑	
Kansas Gas		☑	☑	☑	☑	☑	
Nebraska Gas		☑	☑			☑	
Wyoming Gas	☑	☑				☑	

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(a) RMNG, which is an intrastate transmission pipeline that provides natural gas transmission and wholesale services in western Colorado, has an SSIR recovery mechanism. The other cost recovery mechanisms are not applicable to RMNG.

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Tariff Filings. See Note 2 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K for information regarding current natural gas regulatory activity.

Operating statistics. See a summary of key operating statistics in the Gas Utilities segment operating results within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

Utility Regulation Characteristics

State Renewable Energy Standards

Certain states where we conduct electric utility operations have adopted renewable energy portfolio standards that require or encourage our Electric Utilities to source, by a certain future date, a minimum percentage of the electricity delivered to customers from renewable energy generation facilities. As of December 31, 2020, we were subject to the following renewable energy portfolio standards or objectives:

- Colorado. Colorado adopted a renewable energy standard in 2004 that has two components: (i) electric resource standards and (ii) a 2% maximum annual retail rate impact for compliance with the electric resource standards. The electric resource standards require our Colorado Electric subsidiary to generate, or cause to be generated, electricity from renewable energy sources equaling: (i) 20% of retail sales from 2015 to 2019; and (ii) 30% of retail sales by 2020. Of these amounts, 3% must be generated from distributed generation sources with one-half of these resources being located at customer facilities. The net annual incremental retail rate impact for these renewable resource acquisitions (as compared to non-renewable resources) is limited to 2%. The standard encourages the CPUC to consider earlier and timely cost recovery for utility investment in renewable resources, including the use of a forward rider mechanism. We have been and currently remain in compliance with these standards.

  In 2019, the State of Colorado approved Senate Bill 236, which required qualified retail electric utilities (more than 500,000 customers) to submit a Clean Energy Plan to meet an 80% carbon reduction goal by 2030 based upon 2005 baseline levels. While Colorado Electric is not required to submit a Clean Energy Plan, the state also passed House Bill 1261 which established state-wide emission goals for greenhouse gas emitting activities that apply to Colorado Electric. Both House Bill 1261 and Senate Bill 236 include provisions that allow Colorado Electric to submit a voluntary Clean Energy Plan with a goal of 80% reduction by 2030. On January 7, 2021, Colorado Electric announced it will file a Clean Energy Plan with the CPUC voluntarily in 2022.

  On September 23, 2020, Colorado Electric received approval from the CPUC for its preferred solar bid request in support of its Renewable Advantage program. The program plans to add up to 200 MW of renewable energy in Colorado by the end of 2023, which will contribute towards the aforementioned 80% carbon reduction goal by 2030. When Renewable Advantage comes online in 2023, more than half of Colorado Electric's generation mix will be renewable sources, leading to an approximate 70% reduction in GHG emissions by 2024.

- South Dakota. South Dakota adopted a renewable portfolio objective in 2008 that encourages, but does not mandate utilities to generate, or cause to be generated, at least 10% of their retail electricity supply from renewable energy sources by 2015.

- Wyoming. Wyoming currently has not issued a renewable energy portfolio standard.

In November 2020, we announced clean energy goals to reduce GHG emissions that are based on prudent and proven solutions to reduce our emissions while minimizing cost impacts to our customers. See more information in the Key Elements of our Business Strategy within Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7 of this Annual Report on Form 10-K.

Federal Regulation

Energy Policy Act. The Energy Policy Act of 2005 included provisions to create an Electric Reliability Organization, which is required to promulgate mandatory reliability standards governing the operation of the bulk power system in the U.S. FERC certified NERC as the Electric Reliability Organization and also issued an initial order approving many reliability standards that went into effect in 2007. Entities that violate standards will be subject to fines and can also be assessed non-monetary penalties, depending upon the nature and severity of the violation.

Distribution Operations – Regulatory Update

Colorado - Kansas Division

- **Kansas: Implemented Gas Safety Reliability Surcharge (GSRS) filing on February 1, 2021**
  - ✓ Authorized an annual operating income increase of $1.7 million
  - ✓ Authorized ROE: 9.10%; ROR: 7.03%
  - ✓ Authorized capital structure: 44% debt / 56% equity
  - ✓ Authorized rate base: $16.9 million
  - ✓ Test year ended September 30, 2020
- **Colorado: Implemented System Safety and Integrity Rider (SSIR) on January 1, 2021**
  - ✓ Authorized an annual operating income increase of $2.4 million
  - ✓ Authorized ROE: 9.45%; ROR: 7.55%
  - ✓ Authorized capital structure: 44% debt / 56% equity
  - ✓ Authorized rate base : $78.3 million
  - ✓ Test year ended December 31, 2021

Distribution Operations – Regulatory Update

Kentucky/Mid-States Division

- **Tennessee: Implemented Annual Review Mechanism (ARM) on June 1, 2021**
  - ✓ Authorized an increase in annual operating income of $10.3 million
  - ✓ Authorized ROE of 9.80%; ROR of 7.62%
  - ✓ Authorized capital structure of 40% debt / 60% equity
  - ✓ Authorized system-wide rate base of $421.2 million
  - ✓ Test year ended September 30, 2020
- **Kentucky: Implemented Annual Pipe Replacement Program (PRP) on October 1, 2020**
  - ✓ Authorized an annual operating income increase of $1.6 million
  - ✓ Authorized ROE of 9.65%; ROR of 7.49%
  - ✓ Authorized capital structure: 42% debt / 58% equity
  - ✓ Authorized rate base: $39.4 million
  - ✓ Forward-looking test year ending September 2021
- **Virginia: Implemented *S*AVE Infrastructure Program on October 1, 2020**
  - ✓ Authorized an annual operating income increase of $0.3 million
  - ✓ Authorized ROE: 9.20%; ROR: 7.43%
  - ✓ Authorized capital structure: 42% debt / 58% equity
  - ✓ Authorized rate base: $3.5 million

Jurisdictions		Effective Date of Last Rate Action	Date of Last Rate Filing (Pending)	Authorized Operating Income $millions	Requested Operating Income $millions	Rate Base $millions[1]	Requested Rate Base $millions	Authorized Rate of Return [1]	Requested Rate of Return	Authorized Return on Equity [1]	Requested Return on Equity	Authorized Debt/ Equity Ratio	Requested Debt/Equity Ratio	Meters at 6/30/21
Atmos Pipeline-TX (GUD 10580)		8/1/17		$13.0		$1,767		8.87%		11.50%		47/53		NA
Atmos Pipeline-TX GRIP	3	5/11/21		$43.9		$2,925		8.87%		11.50%		47/53		NA
Mid-Tex - City of Dallas DARR	5	6/9/21		$1.7		$4,293		7.57%		9.80%		41/59		234,666
Mid-Tex Cities RRM		12/1/20	4/1/21	$82.6	$29.7	$3,733	$4,399	7.53%	7.36%	9.80%	9.80%	42/58	42/58	1,286,813
Mid-Tex ATM Cities SOI/GRIP (GUD 10779)	3,5	6/11/21		$11.1		$4,307		7.97%		9.80%		40/60		182.681
Mid-Tex Environs SOI/GRIP (GUD 10944)	3,5	8/3/21		$4.6		$4,307		7.97%		9.80%		40/60		80,675
WTX Cities RRM		12/1/20	4/1/21	$5.6	$0.9	$661	$760	7.53%	7.36%	9.80%	9.80%	42/58	42/58	148,861
WTX ALDC SOI	4	6/1/21		$5.1		$752		7.35%		2		2		152,039
WTX ALDC GRIP	3,4	9/1/20		$5.9		$672		8.57%		10.50%		48/52		NA
WTX Environs SOI/GRIP (GUD 10945)	3,5	6/11/21		$1.3		$765		7.97%		9.80%		40/60		24,235
WTX Triangle (GUD 10900)	5	6/11/21		$0.4		$40		7.71%		9.80%		40/60		NA
Louisiana RSC (U-35525)		7/1/21		($2.4)		$837		7.30%		2		2		372,640
Mississippi SRF (2005-UN-0503)		11/1/20	7/1/21	$5.9	($0.7)	$474	$507	7.81%	7.81%	2	2	2	2	273,201
Mississippi SIR (2015-UN-049)		11/1/20	7/1/21	$10.6	$8.4	$247	$324	7.81%	7.81%	2	2	2	2	NA

(See Next Page for Footnote Explanations)

Jurisdictions		Effective Date of Last Rate Action	Date of Last Rate Filing (Pending)	Authorized Operating Income $millions	Requested Operating Income $millions	Rate Base $millions[1]	Requested Rate Base $millions	Authorized Rate of Return [1]	Requested Rate of Return	Authorized Return on Equity [1]	Requested Return on Equity	Authorized Debt/ Equity Ratio	Requested Debt/Equity Ratio	Meters at 6/30/21
Kentucky PRP (2019-00253)		10/1/20	7/30/21	$1.6	$3.5	$39	$68	7.49%	7.66%	9.65%	10.35%	42/58	43/57	NA
Kentucky (2018-00281)	6	5/7/19	6/30/21	$3.4	$14.4	$425	$596	7.49%	7.66%	9.65%	10.35%	42/58	43/57	183,803
Tennessee ARM (19-00067)		6/1/21		$10.3		$421		7.62%		9.80%		40/60		158,759
Kansas (19-ATMG-525-RTS)		4/1/20		($0.2)		$242		7.03%		9.10%		44/56		139,458
Kansas GSRS		2/1/21		$ 1.7		$17		7.03%		9.10%		44/56		NA
Colorado (17AL-0429G)		5/3/18		($0.2)		$135		7.55%		9.45%		44/56		124,887
Colorado SSIR (20AL-0471G)		1/1/21		$2.4		$78		7.55%		9.45%		44/56		NA
Colorado GIS (18A-0765G)		4/1/19		$0.1		$1		7.55%		9.45%		44/56		NA
Virginia (PUR-2018-00014)		4/1/19		($0.4)		$48		7.43%		9.20%		42/58		24,733
Virginia SAVE (PUR-2020-00107)		10/1/20	6/1/21	$0.3	$0.4	$4	$7	7.43%	7.43%	9.20%	9.20%	42/58	42/58	NA

1. *Rate base, authorized rate of return and authorized return on equity presented in this table are those from the last base rate case for each jurisdiction. These rate bases, rates of return and returns on equity are not necessarily indicative of current or future rate bases, rates of return or returns on equity.*
2. *A rate base, rate of return, return on equity or debt/equity ratio was not included in the final decision.*
3. *GRIP filings are based on existing returns and the change in net utility plant investment.*
4. *Includes the cities of Amarillo, Lubbock, Dalhart and Channing.*
5. *Rate filings have been approved but will not be implemented until September 1, 2021.*
6. *This amount includes $3.5 million from the Kentucky annual pipe replacement program filing.*

Comprehensive Regulatory Mechanisms

DESCRIPTION	KANSAS	OKLAHOMA	TEXAS
Interim capital recovery	✓	✓	✓
Weather normalization	✓	✓	✓
Purchased gas riders (including gas cost portion of bad debts)	✓	✓	✓
Energy efficiency/conservation programs		✓	✓*
Pension and other post-retirement benefits trackers	✓	✓	✓
Cost-of-service adjustment		✓	✓*
COVID-19 accounting orders	✓	✓	✓
Regulatory asset for Winter Storm Uri	✓	✓	✓

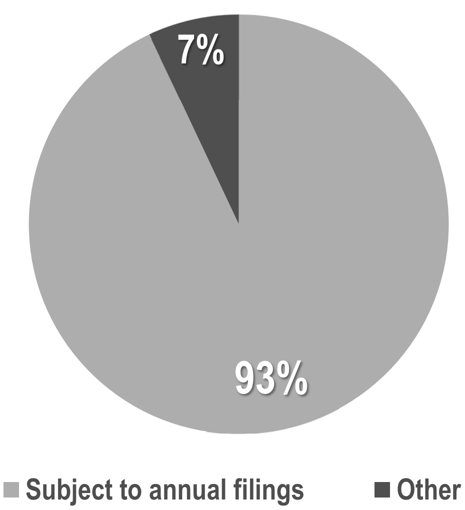
* Five jurisdictions in Texas; not all mechanisms apply to each jurisdiction

Interim Recovery of Capital Investments

Annual Filings

- **Oklahoma Natural Gas**
  - **Performance-based rate change (PBRC)** Interim filing for annual rate reviews between full rate cases to ensure achieved ROE is within the established band of 9 – 10%
- **Kansas Gas Service**
  - **Gas System Reliability Surcharge (GSRS**) for safety-related (includes physical and cyber security) and government-mandated investments made between rate cases
- **Texas Gas Service**
  - **Gas Reliability Infrastructure Program (GRIP)** for capital investments made between rate cases
  - **Cost-of-service adjustments (COSA)** for capital investments and certain changes in operating expenses

2021E CAPITAL RECOVERY TIMING



SJG Regulatory Climate

SJI

Constructive Partnership With NJBPU Fosters Safety, Reliability and Energy Efficiency With Timely Cost Recovery

Authorized Program	Objective	Authorized Amount	Timing	ROE	Equity Component	Average Annual CapEx (M)	Accelerated Recovery
Conservation Incentive Program (CIP)	Promote conservation efforts, without negatively impacting financial stability, by basing SJG's profit margin on the number of customers rather than the amount of natural gas distributed to customers	Annual True-Up	Permanent	N/A	N/A	NA	NA
Accelerated Infrastructure Replacement Program (AIRP)	Enhance the safety and reliability of gas system infrastructure through replacement of aging pipeline and other modernization activities	$302.5	10/1/16 - 9/30/21	9.6%	54.0%	60.5	Yes
Storm Hardening and Reliability Program (SHARP)	Replacement of low pressure distribution mains and services with high pressure mains and services in coastal areas that are susceptible to flooding during major storm events	$100.3	7/1/18 - 6/30/21	9.6%	54.0%	33.4	Yes
Energy Efficiency Program (EET)	Encourage customers to reduce energy usage, lower emissions and save money	$133.2	7/1/21 - 6/30/24	9.6%	54.0%	44.4	Yes

ETG Regulatory Climate

SJI

Constructive Partnership With NJBPU Fosters Safety, Reliability and Energy Efficiency With Timely Cost Recovery

Authorized Program	Objective	Authorized Amount	Timing	ROE	Equity Component	Average Annual CapEx (M)	Accelerated Recovery
Conservation Incentive Program (CIP)	Promote conservation efforts, without negatively impacting financial stability, by basing ETG's profit margin on the number of customers rather than the amount of natural gas distributed to customers	Annual True-Up	Permanent	N/A	N/A	NA	NA
Infrastructure Investment Program (IIP)	Enhance the safety and reliability of gas system infrastructure through replacement of aging pipeline and other modernization activities	$300.0	7/1/19 - 6/30/24	9.6%	51.5%	60.0	Yes
Energy Efficiency Program (EET)	Encourage customers to reduce energy usage, lower emissions and save money	$74.0	7/1/21 - 6/30/24	9.6%	51.5%	24.7	Yes

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED OCTOBER 11, 2021

7. Provide an analysis regarding the need of a CPCN for the ILI project on Line DE.

Response:

The in-line inspection (ILI) of Line DE is being performed as part of the usual course of business and therefore does not require the filing and approval of a Certificate of Public Convenience and Necessity (CPCN). KRS 278.020(1)(a)(2) exempts "ordinary extensions of existing systems in the usual course of business" from the requirement to obtain a CPCN. The inspection of transmission infrastructure is required by the pipeline safety requirements outlined in Title 49, Part 192 of the Code of Federal Regulations. Because the federal government requires inspection, taking steps to perform this required action is a part of Columbia's usual course of business.