KY PSC Case No. 2024-00012
Response to Staff's Data Request Set 1, No. 1
Respondent: Patrick Pluard

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain if there are any internal organizations or local utilities within NiSource Inc. (NiSource), with the exception of Columbia Kentucky, which have a Performance Based Ratemaking (PBR) Mechanism.

a. If so, identify the entity and describe in detail the PBR mechanism used by that affiliate.

b. If Columbia Kentucky is the only organization or local utility within NiSource that has a PBR mechanism, then explain if any organization or local utility within NiSource has proposed a similar mechanism to its regulatory agency, and if so, then explain in detail why those proposals were denied.

Response:

a. Please see the following attachments, which contain excerpts and or copies of the current tariff pages responsive to this request:

- 2024-00012 PSC Staff DR Set 1 No 1 Attachment A (containing the Indiana tariff pages (Northern Indiana Public Service Company ("NIPSCO") Natural Gas Tariff)
- 2024-00012 PSC Staff DR Set 1 No 1 Attachment B (containing the Columbia Gas of Ohio, Inc. Tariff)
- 2024-00012 PSC Staff DR Set 1 No 1 Attachment C (containing the Columbia Gas of Maryland, Inc. Tariff)
- 2024-00012 PSC Staff DR Set 1 No 1 Attachment D (containing the Columbia Gas of Virgina, Inc. Tariff)
- 2024-00012 PSC Staff DR Set 1 No 1 Attachment E (containing the Columbia Gas of Pennsylvania, Inc. Tariff)

b. All the NiSource utilities including Columbia Kentucky have gas cost sharing mechanisms that include commodity-based gas cost sharing mechanisms against published indices as well as a transportation sharing mechanisms. One important distinction between the other NiSource utilities and Columbia Kentucky is that all the other NiSource LDCs sharing mechanisms exist in perpetuity and do not expire on a set date.

GENERAL RULES AND REGULATIONS
Applicable to Gas Service

15. GAS COST INCENTIVE MECHANISM

The Company will adjust the Gas Cost Adjustment factors for billing purposes by the effect of the application of the Gas Cost Incentive Mechanism most recently approved in Cause No. 44081.

The Gas Cost Incentive Mechanism rewards and/or penalizes the Company for its performance of gas supply acquisition when compared to a market standard ("Benchmark").

The Benchmark shall incorporate a "Benchmark Price," which (1) for daily purchases will be the mid-point average of the "Daily Pricing" as published in Gas Daily "Daily Price Survey, Daily Midpoint" and NGI's "Daily Gas Price Index" natural gas commodity price applicable as of the date of purchase, and (2) for purchases designated as monthly will be the mid-point average of the month "FOM Pricing" as published Inside FERC and NGI Bidweek. These gas prices shall reflect the gas prices for the geographic locations representative of the supply basin/location where the gas was purchased and delivered to the primary and secondary receipt points of the Company's transportation capacity. The "Benchmark Price" will be determined for each month ("FOM Pricing") and each day ("Daily Pricing") of the year.

The Benchmark Dollars are calculated by applying the Benchmark Prices from the indices to the actual units purchased within the geographic supply zones. The aggregated dollars are the Benchmark Dollars which will be compared to the Company's actual gas commodity purchases on a monthly basis in order to determine the Company's performance under the Gas Cost Incentive Mechanism. If the Company's actual gas commodity purchase dollars are less than the Benchmark Dollars, a Positive Performance exists. If the Company's actual gas commodity purchase dollars are greater than the Benchmark Dollars plus the Tolerance Band, a Negative Performance exists. Sharing of the dollar differences between the Company and the Customers will be as follows:

Negative Differential (Actual cost > Benchmark Price)

% of Benchmark Price above Benchmark Price	% of Sharing Customer	% of Sharing Company
>0%	50	50

Positive Differential (Actual cost < Benchmark Price)

% of Benchmark Price above Benchmark Price	% of Sharing Customer	% of Sharing Company
>0%	50	50

The Customers' share of dollars as determined on a monthly basis will be included in the Gas Cost Adjustment calculations for Sales Customers.

GENERAL RULES AND REGULATIONS
Applicable to Gas Service

16. CAPACITY RELEASE SHARING MECHANISM

Revenues generated by releasing interstate pipeline capacity not assigned to Choice Suppliers on a recallable or non-recallable basis in the interstate market on a monthly basis shall be shared with 75% of such revenues credited to GCA customers through the GCA mechanism and 25% retained by NIPSCO. Revenues generated by releasing upstream capacity assigned to Choice Suppliers, but mitigated by Choice Suppliers, shall be shared with 85% of revenues generated by such releases being donated to a NIPSCO Care Plan-Universal Service Plan, and 15% retained by NIPSCO.

P.U.C.O. No. 2

Fifty-Ninth Revised Sheet No. 30a
Cancels
Fifty-Eighth Revised Sheet No. 30a

COLUMBIA GAS OF OHIO, INC.

RULES AND REGULATIONS GOVERNING THE DISTRIBUTION AND SALE OF GAS

CHOICE/SCO RECONCILIATION RIDER ("CSRR")

APPLICABILITY

Applicable to all volumes delivered under rate schedules SGS, SGSS, GS, GSS, LGS, and LGSS.

DESCRIPTION

An additional charge or credit, for all gas consumed, to recover or pass back to customers all imbalances in gas cost expense and recoveries; the flow-through of refunds; the flow-through of shared Off-System Sales and Capacity Release Revenue as defined in Section 39 of the Revised Program Outline filed on November 28, 2012 in Case No. 12-2637-GA-EXM; recovery of incremental program costs resulting from the implementation of SCO program, and audit expenses to the extent such audit is conducted by an independent auditor. Gas cost expense includes, but is not limited to, capacity costs; commodity costs; penalty charges and storage carrying costs. Recoveries include, but are not limited to, revenue received from the sale of gas to SCO providers and TS customers; revenue received through the provision of balancing service(s); refunds; penalty revenue; revenue received from suppliers due to failure to comply with Operational Flow Orders and Operational Matching Orders; Off-System Sales and Capacity Release Sharing Revenue; unused SCO Supplier Security Requirements; Larger Logo Service Net Revenue and revenue from operational sales. In addition, this mechanism will provide for reconciliation of all variances between projected and actual pass back or recoveries through this rider.

RATE

All gas consumed per account per month on a per Mcf rate.

Filed in accordance with Public Utilities Commission of Ohio Finding and Order dated March 6, 2024, in Case No. 23-0724-GA-ATA.

Issued: March 26, 2024 Effective: March 26, 2024

Issued By
Vincent A. Parisi, President

PURCHASED GAS ADJUSTMENT CLAUSE (continued)

B. Calculation of the Demand ACA (continued)

3. The previous year's net Demand ACA over/under collection shall be included.

4. Any applicable interstate pipeline penalty credits received during the November through October PGA period as described in the Limited Term Adjustment for Pipeline Penalty Credits and Cash-Outs section of the Purchased Gas Adjustment Clause section of this tariff. (C)

5. The net amount of items 1-4 shall be divided by the estimated therm quantities for Rate Schedules RS, GS and STS during the ensuing twelve (12) months to produce a per therm rate to be reflected in the Company's quarterly PGA beginning each January. (C)

SHARING OF CAPACITY RELEASE REVENUE

At the end of each program year January 31, capacity release credit amounts (other than those generated by administrative releases) received by the Company will be totaled. The Company will credit amounts to the PGA calculation as determined below.

1. For capacity release credit amounts up to and including One Hundred Thousand Dollars ($100,000) per year, the PGA will be credited with 90% of the capacity release amount.

2. For capacity release credit amounts greater than One Hundred Thousand Dollars ($100,000) per year, the PGA will be credited with eighty percent (80%) of such capacity release credit amount.

All amounts generated by administrative releases will be credited one hundred percent (100%) to gas cost. Administrative releases are defined as releases made by the Company for the sole purpose of transporting the Company's own system supply gas purchases, and therefore represent capacity that is being used by the Company and is not otherwise available for release.

(C) Indicates Change

PURCHASED GAS ADJUSTMENT CLAUSE (cont'd.)

SHARING OF OFF-SYSTEM SALES REVENUE

For off-system sales or exchanges of gas initially acquired by Columbia for the purpose of serving its retail customers, the Company will be permitted to retain 20% of the sales revenues over the cost of gas. For other incremental-type sales or exchanges, the Company will be permitted to retain 50% of off-system sales revenues over the cost of gas. The remaining amounts will be credited to the PGA calculation quarterly over a twelve-month_period, and reconciled in subsequent PGA calculations. The cost of gas for each type of purchase is defined below.

1. For sale of gas that was initially acquired for the purpose of serving retail customers, the cost of gas will be defined as the daily average city gate commodity cost of gas supplies purchased by the Company and flowing on the first of the month (WACCOG). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the WACCOG. This amount will be further adjusted to include applicable taxes other than income taxes and other incremental costs that have or will be incurred as a result of the sale.

2. For incremental sales for which a specific purchase is made, the cost of gas will be defined as the purchase price plus incremental transportation costs, including retainage, taxes other than income taxes, and other costs that have or will be incurred as a result of the sale.

All revenue generated by operational sales will be credited 100% to gas cost. Operational sales are sales made when the Company is in an oversupplied position, as a result of warmer than normal weather or other such factors, which cause the supply position to be unmanageable without incurring additional costs.

PURCHASED GAS ADJUSTMENT CLAUSE (cont'd.)

GAS PROCUREMENT INCENTIVE PROGRAM

The gas procurement incentive program will include all spot gas purchases made during the months of April through October and spot gas purchases flowing on the first day of the month during the months of November through March. Each month the Company's actual cost will be compared to a benchmark for that month.

The benchmark will be determined by averaging the closing prices reported for the last three days of trading on NYMEX for the contract month, and then adjusting this price for the differential between the average of indices representing prices paid at the Henry Hub, and the average of indices representing prices paid at the specific delivery points where Columbia purchases the gas. If one or two of the three published indices fail to report a point of purchase then the average of the remaining publications will be used. In any instances where indices are not published in any one of the three chosen publications for a receipt point where the Company purchases spot gas, then the index used will be either (1) Columbia Gas Transmission Corporation's Appalachian Index average (used at points of delivery into Columbia Gas Transmission Corporation); (2) Columbia Gas Transmission Corporation's Appalachian Index average plus Columbia Gas Transmission Corporation's Storage Service Transportation commodity costs (used at points of delivery out of Columbia Gas Transmission Corporation); or (3) if the first two are not appropriate, the price paid will be adjusted by deducting or adding, as appropriate, a 100% load factor firm transportation rate to the most applicable receipt point where an index is available. The index and Henry Hub prices utilized will be an average of the first of the month prices reported in "Inside FERC's Gas Market Report, Natural Gas Week and Natural Gas Intelligence".

Each month, the weighted average benchmark, as described above, will be compared to the Company's weighted average actual prices paid for spot gas purchased during the month to determine the appropriate monthly retention of savings or absorption of costs. The Company will share savings 50%/50% between customers and the Company for increments of actual gas purchases below the benchmark. The Company will share costs 50%/50% between customers and the Company for increments of actual gas purchases above the benchmark. This amount will be included in the PGA calculation quarterly, and reconciled in subsequent PGA calculations.

GENERAL TERMS AND CONDITIONS
ALL RATE SCHEDULES
(continued)

Any customer electing service under Rate Schedules RS, RTS, SGS1, SGS2, SGS3, SGTS1, SGTS2, SGTS3, UGLS or UGLTS shall be subject to the entire ACA factor as derived in Section 17.5(b) for only a period equivalent to the number of months of the prior 12 month period during which such customer was served under Rate Schedules RS, SGS1, SGS2, SGS3, or UGLS. The Customer shall be subject to the demand portion of the ACA as derived in 17.5(b) for only a period equivalent to the number of months of the prior twelve month period during which the Customer was served under Rate Schedule RTS, SGTS1, SGTS2, SGTS3, or UGLTS.

17.6 Revenues From Off-System Sales and Capacity Release

(a) Definitions

(i) **"Off-System Sales Margin"** shall mean revenues received by the Company from the sale of unbundled or re-bundled gas supply and capacity products plus savings generated by the transaction(s) in the form of costs avoided as a result of the transaction(s) ("Avoided Costs"), less the costs caused by the transaction. Off-System Sales Margin excludes Operational Transaction Cost as defined in Section 17.6(a)(iv) below. Off-System Sales arrangements include flowing gas sales, incremental gas sales, exchanges, and asset management arrangements.

For flowing gas sales, the costs will be the daily average city gate commodity cost of the gas supplies purchased by the Company and flowing on the first of the month, which will be referred to as the first of month gas cost ("FOMGC"). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the FOMGC. This amount will be further adjusted to include applicable taxes and other costs that have been or will be incurred.

For incremental gas sales, the costs will be the purchase price of the gas sold, adjusted for applicable costs such as pipeline transportation charges, retainage, applicable taxes and other costs, and further adjusted for savings in the form of Avoided Costs.

For other off system sales products, the costs will be the incremental costs incurred in the transaction, such as pipeline transportation charges, retainage, applicable taxes and other costs, and further adjusted for savings in the form of Avoided Costs.

(ii) **"Capacity Release Revenue"** shall mean revenue the Company receives in the form of demand charge credits on its pipeline invoices from arrangements to sell, in the secondary capacity market, interstate pipeline transportation and/or storage capacity held under contract by the Company. Capacity Release Revenue excludes Retail Choice Capacity Release Revenue and Administrative Capacity Release Revenue as defined in Sections 17.6(a)(v) and 17.6(a)(vi), respectively.

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JUN 24 2019

GENERAL TERMS AND CONDITIONS
ALL RATE SCHEDULES
(continued)

(iii) **"Incentive Dollars"** shall mean the sum of Off-System Sales Margin as defined in Section 17.6(a)(i) and Capacity Release Revenue as defined in Section 17.6(a)(ii).

(iv) **"Operational Transaction Cost"** shall mean the costs that result from off system transactions entered into by the Company for the purpose of averting a higher cost to the PGA such as pipeline penalties, supplier keep whole charges and take-or-pay charges.

(v) **"Retail Choice Capacity Release Revenue"** shall mean revenue the Company receives in the form of demand charge credits on its pipeline invoices for capacity released to Competitive Service Providers pursuant to Section 7 of Rate Schedule CSPS.

(vi) **"Administrative Capacity Release Revenue"** shall mean revenue the Company receives in the form of demand charge credits on its pipeline invoices for capacity released to a supplier who uses that capacity to manage the delivery of gas purchased by the Company where the supplier applies the cost of that capacity to the price of gas charged to the Company. An Administrative Capacity Release can facilitate an asset management arrangement that generates Incentive Dollars.

(b) Operational Transactions

All Operational Transaction Costs as defined in Section 17.6 (a)(iv) above, incurred by the Company will be applied to the ACA of the applicable sales service rate schedules and transportation rate schedules based on the allocation method set forth in Section 17.5(a), above.

(c) Retail Choice and Administrative Capacity Release Revenue

All Retail Choice and Administrative Capacity Release Revenue as defined in Sections 17.6(a)(v) and 17.6(a)(vi) above, respectively, will be credited to the ACA of the applicable firm sales service rate schedules and transportation rate schedules based on the allocation method set forth in Section 17.5(a), above.

(d) Off-System Sales and Capacity Release Incentive Mechanism ("Incentive Mechanism")

(i) The Incentive Mechanism Program Year ("Program Year") will begin on the first day of September each year and end on the last day of August each subsequent year. However, the initial Program Year will run for an abbreviated period of eight months beginning January 1, 2008 and ending August 31, 2008. For the initial Program Year, the annual amounts determined in Sections 17.6(d)(ii) and (iii) will be multiplied by a factor of 8/12ths to reflect the abbreviated period for the initial Program Year.

GENERAL TERMS AND CONDITIONS
ALL RATE SCHEDULES
(continued)

(ii) The Minimum Incentive Dollars (MID) as used in Section 17.6(d)(iv) below, will be determined separately for each Program Year. The baseline MID is $1,500,000. The baseline MID will be adjusted for each Program Year by dividing the average Program Year peak day delivery portfolio for firm delivery into the Company's system for each month of the Program Year by 414,835 Dth (the Company's peak day firm delivery portfolio as of July 12, 2007), and multiplying the quotient by $1,500,000.

(iii) The Program Year Threshold (PYT) for sharing as used in Section 17.6(d)(iv) below, will be determined separately for each Program Year. The baseline Threshold is $2,800,000. The baseline Threshold will be adjusted for each Program Year by dividing the average Program Year peak day delivery portfolio for firm delivery into the Company's system for each month of the Program Year by 414,835 Dth (the Company's peak day firm delivery portfolio as of July 12, 2007), and multiplying the quotient by $2,800,000.

(iv) Incentive Dollars (ID), as defined in Section 17.6(a) (iii) above, will be credited to the ACA of the applicable sales service rate schedules and transportation rate schedules based on the allocation method set forth in Section 17.5(a), above. The amount of the Program Year ID ACA credit will be determined from the table below.

Step 1	ID<=MID		ACA Credit=MID
Step 2	ID>MID	but, ID<=PYT	ACA Credit=ID
Step 3	ID>PYT	but, ID<=PYT/.75	ACA Credit=PYT
Step 4	ID>=PYT/.75		ACA Credit=ID X .75

17.7 Refunds

(a) Supplier Refunds Covered by Prior PGAs

When the Company receives a refund from its suppliers which results from a reduction in supplier prices applicable to prior periods and was previously reflected in the PGA, the Company shall pass on such refunds to its Customers as hereinafter described; however, no Customer shall receive such refunds with respect to gas purchased under the Optional Alternate Fuel Displacement sales provisions of Rate Schedules LGS1/LGS2. These supplier refunds shall be divided into their demand and commodity components and reflected in the applicable demand and commodity rates.

(i) The total dollars of any commodity refunds plus interest received, if any, shall be divided by the actual total sales in Dth to retail Customers under rates that reflected the refunded dollars during the prior period, for which the refund was made to produce the Direct Refund Factor. The total dollars of any demand refunds plus interest received, if any, shall be divided by the actual total sales in Dth, including transportation quantities for Rate Schedules RTS SGTS1, SGTS2, SGTS3, and UGLTS if applicable to that particular refund, to retail Customers under rates that reflected the refunded dollars during the prior period, for which the refund was made to produce the Direct Refund Factor. However, should the Company receive minor refunds (less than $.01 per Dth of sales), such refunds will be held until refunds have a $.01 per Dth Refund Factor.

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Supplement No. 248 to
Tariff Gas – Pa. P.U.C. No. 9
Eleventh Revised Page No. 158
Columbia Gas of Pennsylvania, Inc. Canceling Tenth Revised Page No. 158

PURCHASED GAS COST RIDER (Continued)

The sharing mechanism for the off-system sales and capacity release revenues shall be as follows. Customers shall receive 75% of all net proceeds through credits in the PGC rates. The Company will calculate the projected credit for each PGC application period (October through the following September) based upon an average of the three most recently completed PGC application periods for which data are available at the time of the PGC pre-filing made by March 1. Each September, the credits actually received by customers in the PGC application period then ending will be reconciled to the customers' share of the net proceeds actually realized during that period, and any difference will be included in the E-factors for the following PGC application period.

The projected off-system sales and capacity release margins credited to the PGC will be reflected in the Purchased Gas Demand Cost (PGDC). The reconciliation of prior year projections and actual off-system sales and capacity release margins will be reflected in the Demand "E" Factor. (C)

SHARING OF CAPACITY RELEASE REVENUE

Capacity release credits derived from "administrative releases" shall be excluded from the foregoing sharing calculation, and all such credits actually derived shall be included in the demand "E" Factor in their entirety. (C) "Administrative releases" are defined as follows:

(i) Revenues for release of capacity to a producer or marketer where Columbia purchased the gas transported by the producer or marketer for its system supply;

(ii) Revenues from releases of capacity at full margin to certain end-use customers where such releases were the result of the conversion of pre-Federal Energy Regulatory Commission Order No. 636 buy-sell arrangements; and

(iii) Revenues from releases of capacity used in serving end users in a Commission-approved unbundling of service, provided that the benchmark would be adjusted to reflect the assignment of such capacity.

SHARING OF OFF-SYSTEM SALES REVENUE

Following is the definition of gas cost for off-system sales program:

(i) For sales in which a specific purchase is not made, the cost of gas will be defined as the daily average city gate commodity cost of the gas supplies purchased by the Company and flowing on the first of the month (WACCOG). For sales made upstream of the Company's city gate, the cost of transportation, including retainage, from the point of sale to the city gate will be subtracted from the WACCOG. This amount will be further adjusted to include applicable taxes, other than income taxes, and other costs.

(ii) For incremental sales in which a specific purchase is made, the cost of gas will be defined as the purchase price plus transportation costs, including retainage, taxes and other costs that have or will be incurred.

(C) Indicates Change

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Provide a side-by-side comparison on a month-by-month basis beginning on and after January 2020, which shows the amount in gas costs saved by Columbia Kentucky's customers under the PBR mechanism compared to the amount of gas cost collected through Columbia Kentucky's Gas Cost Adjustment (GCA) Clause for the company's share of the PBR savings.

Response:

Please refer to 2024-00012 PSC Staff DR Set 1 No. 2 Attachment A.

	Total Savings	Cust Share	CKY Share
Jan - 2020	$90,742.06	$54,671.01	$36,071.05
Feb - 2020	$68,237.85	$43,061.09	$25,176.76
Mar - 2020	$75,178.86	$46,848.09	$28,330.77
Apr - 2020	$91,725.44	$54,771.97	$36,953.47
May - 2020	$27,743.98	$19,420.79	$8,323.19
Jun - 2020	$142,536.78	$82,320.68	$60,216.10
Jul - 2020	$176,084.15	$103,281.42	$72,802.73
Aug - 2020	$218,675.56	$126,572.25	$92,103.31
Sep - 2020	$341,473.49	$181,660.23	$159,813.26
Oct - 2020	$679,021.44	$349,229.40	$329,792.04
Nov - 2020	$440,160.11	$229,215.19	$210,944.92
Dec - 2020	$553,509.20	$289,748.66	$263,760.54
Jan - 2021	$590,780.23	$307,558.34	$283,221.89
Feb - 2021	$809,111.72	$434,742.45	$374,369.27
Mar - 2021	$727,658.52	$377,523.91	$350,134.61
Apr - 2021	$407,069.78	$223,340.52	$183,729.26
May - 2021	$319,345.03	$188,787.49	$130,557.54
Jun - 2021	$308,049.39	$183,132.63	$124,916.76
Jul - 2021	$375,830.19	$217,873.62	$157,956.57
Aug - 2021	$402,692.21	$234,280.41	$168,411.80
Sep - 2021	$506,489.09	$278,682.07	$227,807.02
Oct - 2021	$629,294.45	$342,038.53	$287,255.92
Nov - 2021	$803,763.25	$426,327.32	$377,435.93
Dec - 2021	$755,818.28	$391,222.06	$364,596.22
Jan - 2022	$881,879.97	$452,910.75	$428,969.22
Feb - 2022	$910,641.75	$479,271.16	$431,370.59
Mar - 2022	$798,787.67	$409,114.32	$389,673.35
Apr - 2022	$486,748.41	$289,128.26	$197,620.15
May - 2022	$465,410.95	$297,730.14	$167,680.81
Jun - 2022	$591,873.87	$414,311.71	$177,562.16
Jul - 2022	$725,027.15	$454,796.26	$270,230.89
Aug - 2022	$557,559.05	$390,291.34	$167,267.72
Sep - 2022	$690,794.76	$470,596.31	$220,198.45
Oct - 2022	$1,087,278.38	$588,374.78	$498,903.60
Nov - 2022	$1,414,152.95	$734,653.50	$679,499.45
Dec - 2022	$1,446,978.10	$793,065.16	$653,912.94
Jan - 2023	$1,389,849.39	$734,296.39	$655,553.00
Feb - 2023	$1,280,344.62	$658,260.93	$622,083.69
Mar - 2023	$1,293,126.14	$666,314.76	$626,811.38
Apr - 2023	$661,084.09	$367,628.80	$293,455.29
May - 2023	$660,868.07	$364,205.79	$296,662.28
Jun - 2023	$642,399.94	$354,803.49	$287,596.45

Jul - 2023	$630,540.40	$355,024.97	$275,515.43
Aug - 2023	$598,763.16	$331,880.87	$266,882.29
Sep - 2023	$789,828.30	$419,013.09	$370,815.21
Oct - 2023	$1,193,737.10	$623,429.11	$570,307.99
Nov - 2023	$1,137,320.32	$588,954.65	$548,365.67
Dec - 2023	$1,342,853.44	$694,673.41	$648,180.03

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Provide the annual reports for the PBR mechanism filed by Columbia Kentucky since the June 6, 2022 final Order in Case No. 2020-00378[1] was issued.

Response: Pursuant to the Ordering Paragraph 4 of the Commission's Order dated June 6, 2022 in Case No. 2020-00378,[2] Columbia filed its report on the results of the PBR mechanisms for the years ending 2021 through 2023 on May 30, 2023 in the Post Case File. This report is attached hereto as 2024-00012 PSC Staff DR Set 1 No. 3 Attachment A. In addition, on April 30, 2024, Columbia filed its annual report on the PBR mechanism for the year ending March 2024 in Case No. 2024—00121.[3]

[1] Case No. 2020-00378, *Electronic Application Of Columbia Gas of Kentucky, Inc. to Extend Its Gas Cost Incentive Adjustment Performance Based Rate Making Mechanism* (Ky. PSC June 6, 2022).
[2] *Id.*
[3] Case No. 2024-00121, *Electronic Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc.*, Application (April 30, 2024).

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Columbia Gas of Kentucky
A NiSource Company

May 30, 2023

ELECTRONICALLY FILED

Linda Bridwell
Executive Director
Kentucky Public Service Commission
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RE: **KY PSC Case No. 2020-00378 – PBR Report**

Pursuant to the requirement outlined in the Commission's June 6, 2022 Order in the above-captioned case,[1] Columbia Gas of Kentucky, Inc. ("Columbia") hereby provides its report of savings. In order to assist the Commission in its review, Columbia presents this information in a format that mirrors the table appearing in the previously mentioned Order.[2] The rows representing data from 2018/2019 as well as 2019/2020 have been updated from what was presented in the Commission's Order to reflect actual, rather than estimated, financial information. The row presenting information from the annual period 2022/2023 represents eleven months of actuals and estimated information for the remaining month.

Year	GCI Savings	TCI Savings	OSSI Savings	Total Savings	Total Actual Costs	Percentage
15/16	$604,558	$6,313,075	$691,363	$7,608,996		
16/17	$329,885	$6,336,959	$1,003,432	$7,670,276	$44,867,740	17.10%
17/18	$138,650	$6,849,990	$603,326	$7,591,966	$51,047,734	14.87%
18/19	$30,733	$6,878,778	$699,668	$7,609,179	$62,366,205	12.20%
19/20	$206,667	$3,881,115	$1,047,528	$5,135,310	$38,933,989	13.19%
20/21	$545,284	$1,891,632	$1,369,024	$3,805,941	$40,940,277	9.30%
21/22	$617,600	$6,835,783	$638,630	$8,092,013	$69,287,589	11.68%
22/23	$1,160,764	$7,763,813	$2,504,569	$11,429,146	$108,430,161	10.54%

[1] Case No. 2020-00378, *Electronic Application of Columbia Gas of Kentucky, Inc. to Extend its Gas Cost Incentive Adjustment Performance Based Rate Making Mechanism* (Ky. PSC June 6, 2022), Order at 11.
[2] *Id.* at 4.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF’S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024**

Explain whether Columbia Kentucky has any incentive to optimize its gas supply portfolio absent a PBR mechanism. If so, describe the incentives. If not, explain why not.

Response:

As the gas supply portfolio impacts the cost of Columbia Kentucky’s service to its customers, Columbia Kentucky has an incentive to optimize its gas supply portfolio absent a PBR mechanism. The PBR establishes a predetermined framework that provides a constant, reinforceable structure for all stakeholders to be able to verify the gas supply portfolio is being optimized at the transactions level. As risk is shared, the PBR is an effective mechanism that aligns the Company’s efforts with the customer’s interest by driving cost saving opportunities to Columbia Kentucky customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain whether a least cost acquisition standard in purchasing natural gas supplies and pipeline transportation services exists absent Columbia Kentucky's PBR mechanism.

Response: Absent a PBR mechanism, the Staff could review the purchases of the Company to determine if they are, in the opinion of Staff, prudent. With a PBR mechanism, a form of which exists in all of the Columbia LDCs, the incentives of Columbia Kentucky are such that it shares only in the incremental deviations from the established benchmark. So, for example, if the price of gas on July 1st was benchmarked at $1.50, and the Company purchased gas at $1.50, then those cost presumably would be prudent with or without a PBR mechanism. However, with the PBR, if Columbia Kentucky procured supply above $1.50 or below the $1.50 benchmark, the Company would share only in the incremental benefits or incremental added expenses associated with the deviation from the benchmarks.

So, for example, if Columbia Kentucky purchased gas on July 1st at $1.46/Dth, Columbia Kentucky customers would keep $.03/Dth (75%) of the $.04/Dth savings and Columbia Kentucky would keep $.01/Dth, or 25% or the $.04/Dth savings attained from buying gas on that day. Both the ratepayers and the Columbia Kentucky are better off as a result. The same is true, but in reverse, if the Company bought gas at $1.54 on that day.

The point of the PBR mechanism is that it provides proper incentives to Columbia Kentucky to reduce the cost of gas beyond the average benchmark and beyond what it would otherwise be absent a PBR mechanism, in a manner that benefits both Columbia Kentucky customers as well as Columbia Kentucky's shareholders.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

State whether Columbia Kentucky would decrease its efforts to maintain service reliability for the benefit of its customers if Columbia Kentucky's PBR mechanism was discontinued.

Response:

Columbia would not alter its efforts to maintain service reliability if the PBR is discontinued. Service reliability is a basic service that all distribution utilities maintain and forms the basis of ensuring customer trust in the utility's ability to perform during critical periods.

Reliable service and economic fiscal responsibility are intertwined and inseparable which is why sharing mechanisms exist. Daily balancing activities driven by weather variations and storage level management create long and short positions. It is this activity along with the competitive nature of the natural gas market which creates additional opportunities. While service reliability would not be affected if the PBR mechanism were discontinued, the PBR aligns the goals of the Company with that of its customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Identify any economic or scientific studies of which Columbia Kentucky is aware that support the contention that adopting a PBR mechanism reduces gas costs for customers of local gas distribution companies, and provide copies of any such studies.

Response:

Columbia Kentucky is not aware of any "scientific studies" that support the contention that PBR mechanisms reduce gas costs. However, in all the jurisdictions that Columbia Kentucky's affiliate distribution utilities operate – Ohio, Kentucky, Pennsylvania, Maryland, Virginia, and Indiana, some form of a commodity sharing mechanism exists. These mechanisms serve to incentivize the Company to go beyond providing basic services, all in an effort to drive down gas costs to their absolute minimums. The concept of a commodity sharing mechanism forces utilities to act in a least cost manner as the company and customer share in the both the gains and losses associated with purchasing commodity against known market indices.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain whether Columbia Kentucky seeks to purchase the lowest cost natural gas to provide to its customers regardless of whether it has a PBR mechanism.

Response:

Columbia Kentucky would continue its least reasonable cost approach to purchase reliable gas supplies without a PBR mechanism. The PBR mechanism provides an additional incentive for the Company to continually evaluate the market for opportunities to lower costs. Thus, the PBR is an effective mechanism that aligns the Company's efforts with the customers' interest.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain in detail every basis for Columbia Kentucky's claim that the PBR mechanism resulted in benefits for Columbia Kentucky's customers.

Response:

Columbia Kentucky has and always will strive to provide the most reliable, lowest reasonable cost natural gas to its customers with or without a PBR mechanism. In additional to other benefits of Gas Cost Incentive Mechanisms (GCIMs) such as incentives and risk sharing, the PBR mechanism provides a pre-determined sharing framework that enables all stakeholders (customers, regulators, and Company) to efficiently verify low-cost portfolio management and be confident the customer is receiving the lowest reasonable cost commodity. According to the current PBR structure, the total PBR customer share of savings for program year 2020/2021 was $2,556,045,[1] for program year 2021/2022 was $3,826,981, and for program year 2022/2023

[1] Upon review of the Direct Testimony of Patrick Pluard in preparation for responding to this data request, Columbia Kentucky found a typographical error in the amount of customer savings previously provided. The testimony of Witness Pluard states this number as $2,556,055. The correct amount is $2,556,045.

was $6,491,820. Please refer to 2024-00012 PSC Staff DR Set 1 No. 2 Attachment A for a monthly breakout of savings with customer and company share from January 2020 to December 2023.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain what Columbia Kentucky does with its portion of the gas costs savings it collects from customers through the GCA.

Response:

The portion of gas cost savings retained by Columbia Kentucky are not directed into any specific purpose. The savings are recorded in a below the line account and used to support Columbia Kentucky's operations to enable the provision of safe and reliable services for our customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Explain whether Columbia Kentucky competitively bids its supply contracts. If so, explain Columbia Kentucky' process to competitively bid the contracts for the PBR mechanism.

Response:

Columbia Kentucky does competitively bid its supply contracts. Columbia Kentucky does not specifically bid contracts for the administration of the PBR mechanism.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Motion for Leave to Amend Application (Motion to Amend), page 2, paragraph 3. Provide a list of any Columbia Kentucky discounted contracts that are currently in effect, provide a copy of each contract, and provide the expiration date of each contract.

Response:

Columbia Kentucky's reference in the Motion for Leave to Amend Application relates to two contracts. One is with TC Energy, which expires on March 31, 2025. A copy of the most recent Discount Letter Agreement that provides the current pricing and duration of the contract is attached as 2024-00012 PSC Staff Set 1 No. 12 Attachment A. The other contract is with Tennessee Gas Pipeline, which expires October 31, 2024. A copy of the most recent Letter Agreement that provides the current pricing and duration of the contract is attached as 2024-00012 PSC Staff Set 1 No. 12 Attachment B.

Columbia Gas Transmission, LLC
700 Louisiana, Suite 700
Houston, Texas 77002

March 6, 2020

Mr. Dan Grieshop
Columbia Gas of Kentucky, Inc.
290 W. Nationwide Blvd.
Columbus, OH 43216

RE: SST Service Agreement No. 80160
Discount Letter related to Revision 1

Dear Mr. Grieshop:

This letter will serve as an amendment to the SST Service Agreement No. 80160 between Columbia Gas Transmission, LLC (Transporter) and Columbia Gas of Kentucky, Inc. (Shipper). Transporter and Shipper hereby agree that Section 3 of the above-referenced service agreement is amended to provide the following:

Terms. Shipper agrees to pay, for the Transportation Demand, a discounted reservation rate of $4.185, inclusive of all applicable reservation surcharges, effective from April 1, 2020 through March 31, 2025. Any quantity transported above the Transportation Demand will be charged the currently effective maximum reservation rate for the SST Rate Schedule set forth in Transporter's FERC Gas Tariff.

Apportionment of Discounts. The discounted reservation rate will be apportioned in accordance with Section 20 of the General Terms and Conditions of Transporter's FERC Gas Tariff.

Other Charges. In addition to the discounted reservation charges set forth above, Shipper must pay Transporter all applicable commodity charges and surcharges in the Transporter's FERC Gas Tariff, as amended from time to time, including, but not limited to, overrun charges and retainage charges. Shipper shall not pay the Capital Cost Recovery Mechanism ("CCRM") charges.

Compliance with Tariff. Notwithstanding the foregoing, the charge to be paid by Shipper to Transporter will be no lower than the applicable total effective minimum charges or higher than the applicable total effective maximum charges as set forth in Transporter's FERC Gas Tariff from time to time.

Executed and agreed to this 16th day of October, 2020.

COLUMBIA GAS TRANSMISSION, LLC

DocuSigned by:

By: Carol Wehlmann

Its: Manager, USNG Contracts

Date: October 16, 2020

COLUMBIA GAS OF KENTUCKY, INC.

DocuSigned by:

By: Michael D. Watson

Its: VP Supply and Optimization

Date: 6/4/2020

DS

TR

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

October 25, 2019

Columbia Gas of Kentucky
290 W. Nationwide Blvd.
Columbus, OH 43215
Attention: Michael D. Anderson

RE: Discounted Rate Agreement ("Letter Agreement")
Rate Schedule FT-A Service Package No. 352324

Dear Michael:

In response to the request of Columbia Gas of Kentucky ("Shipper") and pursuant to Section 5.1 Rate Schedule FT-A of Tennessee Gas Pipeline Company L.L.C.'s ("Tennessee") FERC Gas Tariff, as may be amended from time to time ("Tariff"), Tennessee hereby agrees to adjust its then applicable Rate Schedule FT-A transportation rates. For the period commencing on the November 1, 2019 and extending through October 31, 2024 listed in Exhibit A to the Gas Transportation Agreement, the rate shall be adjusted as follows:

1. a) If Shipper attempts to apply this discount to any volumes and/or to any points not eligible for the discount and thereby fails to pay correctly invoiced and undisputed amounts, then, if such failure is not cured within thirty days of provision of notice by Tennessee to Shipper of such failure, Tennessee shall have the right, in its sole discretion, to immediately terminate this discount with Shipper and/or to assess, from the date of such violation of the terms of discount, the applicable Base Rate on all transactions occurring under the Service Package for the month(s) in which such limits were exceeded.

   b) For transportation service from the primary receipt point(s) listed in Exhibit A to the Gas Transportation Agreement to the primary delivery point(s) listed in Exhibit A to the Gas Transportation Agreement, and for gas delivered by Tennessee on behalf of Shipper on a secondary basis to delivery meters [redacted]; and for volumes received by Tennessee on a secondary basis from any Zone 1 or Zone L receipt meters under the applicable Rate Schedule FT-A transportation rates for service provided under the Service Package will be:

      i) A monthly reservation rate equal to the lesser of (i) $4.5625 per Dth, or (ii) Tennessee's maximum applicable monthly reservation rate.

      and

      ii) A daily commodity rate equal to Tennessee's Maximum Applicable Commodity rate. In addition to the reservation and commodity rates specified above, for deliveries to [redacted], Shipper shall pay an incremental daily reservation rate equal to $ 0.0605 per Dth/day; provided, however, that Shipper's total obligation for monthly reservation charges and incremental daily reservation charges shall not exceed Tennessee's maximum applicable reservation rate, either on a daily or monthly basis.

   In addition, Shipper shall also pay ACA, applicable Fuel and Loss Retention ("F&LR") and Electric Power Cost Recovery ("EPCR") charges and all applicable surcharges specified in Tennessee's Tariff.

c) Receipts from and/or deliveries to points other than those listed above during the term of this Letter Agreement shall result in Shipper being assessed Tennessee's Base Reservation Rate under Rate Schedule FT-A applicable to the primary path divided by the number of days in the month for the entire gas transportation agreement TQ on the day(s) of such deliveries and Tennessee's applicable daily Base Commodity Rates under Rate Schedule FT-A as well as the applicable F&LR and EPCR charges and all applicable surcharges under Rate Schedule FT-A.

2. If any terms of this Letter Agreement are disallowed by any order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee may immediately terminate this Letter Agreement. If any terms of this Letter Agreement are in any way modified by order, rulemaking, regulation or policy of the Federal Energy Regulatory Commission, Tennessee and Shipper may mutually agree to amend this Letter Agreement in order to ensure that the original commercial intent of the parties is preserved. In the event that the parties cannot achieve mutual agreement, Tennessee reserves the right to immediately terminate this Letter Agreement.

If Shipper is interested in entering into the Letter Agreement for firm capacity in accordance with the terms proposed above, please have the authorized representative of Shipper execute this Letter Agreement and return to the undersigned. This Letter Agreement will become binding upon the parties only after it then is accepted and executed by Tennessee's authorized representative on the below "Agreed to and Accepted" portion. One fully executed copy will be returned for your records.

If an executed Letter Agreement is not returned via email on or before five (5) working days from the date of the Letter Agreement, then the Letter Agreement is nullified, and Shipper will be billed Tennessee's maximum reservation and commodity rates under Rate Schedule FT-A.

Sincerely,

Coralie Carter Sculley
Director, Marketing TGP North

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
AGREED TO AND ACCEPTED
THIS 1st **DAY OF** November**, 2019.**

By:

Name: Ernesto A. Ochoa

Title: Vice President - Commercial

COLUMBIA GAS OF KENTUCKY
AGREED TO AND ACCEPTED
THIS 29th **DAY OF** October**, 2019.**

By:

Name: MICHAEL O WATSON

Title: V.P.

Revised form 10/29/2019

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Motion to Amend, page 2, paragraph 8. Explain why Columbia Kentucky decided to change the request for an extension to the PBR mechanism to three years from five years as originally requested. Explain if the expiration of any discount contracts was a factor in the decision.

Response:

Please refer to Columbia Kentucky's Motion for Leave to Amend Application. Specifically, paragraphs 3 through 9, which state:

> 3. Columbia Kentucky requested to provide for modification of the Transmission Cost Incentive ("TCI") component of its PBR to acknowledge changes to the marketplace and the expiration of existing contract discounts which were replacement benchmarks to the Federal Energy Regulatory Commission ("FERC") approved rates in Case No. 2017-00453.[2]
>
> 4. The Commission issued an Order on March 1, 2024, rejecting Columbia Kentucky's PBR Application stating "[g]iven that the application is

proposing both an amendment and renewal, the notification requirements housed in 807 KAR 5:011, Section 8 apply and require Columbia Kentucky give notice to its customers and the public."[3]

5. Pursuant to 807 KAR 5:001, Section 4(5), Columbia Kentucky moves the Commission to accept its amended application that deletes the provision to address the expiring term of the current negotiated discounts and modifies the proposed five (5) year term to instead be a three (3) year term. Columbia Kentucky amends its PBR Application to withdraw the portions of the Application and supporting testimony related to provisions for modification of the TCI component and five (5) year term, and requests the Commission approve the ordinary three (3) year authorization in the same form as the PBR is currently authorized (in Case No. 2020-00378).

6. Columbia Kentucky was attempting to be proactive and include in this PBR Application the ability to change the TCI component of its PBR, if the current discounts received in expiring contracts are lost.

7. In the PBR Application, Columbia Kentucky was seeking to provide for modification of the TCI component in the future if discounts were lost or decreased when two existing contracts expired. However, Columbia Kentucky does not currently know whether these discounts will be lost or

if the discounts would be decreased by some amount. Columbia Kentucky does not believe that it could give a sufficiently informative customer notice to its customers or to the public with the information it currently has on these two expiring contracts. Columbia Kentucky believes notice at this time might actually cause confusion more than it would inform customers since there are no definite changes known at this time. The Commission's Order acknowledging a necessary deviation to comply with the Commission's rules about public notices further demonstrates that public notice at a later date would better serve the purposes of a public notice.

8. In addition to withdrawing the provision for TCI component modifications, Columbia Kentucky also requests to amend its PBR Application to request another three-year extension instead of a five-year extension as was originally requested.

9. With the amendments requested in this Motion, Columbia Kentucky's current PBR Application will be a simple renewal of its existing PBR without modification.

[2] Application p. 5.

[3] Order p. 4.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Amended Application, page 5, paragraph 7. Explain in detail the "extra effort in performance" undertaken by Columbia Kentucky as part of the incentive that is encouraged by the PBR mechanism that may have not been otherwise undertaken without the existence of the PBR mechanism.

Response:

It is the primary responsibility of those employed in the natural gas procurement and control functions to provide for reliable supply and deliverability to distribution customers at the lowest reasonable cost. The PBR mechanism creates an incentive for these individuals to take extra effort in performance of their obligations. This includes seeking opportunities to optimize its assets in such a manner as to seek additional transactions that may create financial benefits that are shared between Columbia Kentucky and its customers.

Columbia Kentucky does not employ additional resources or maintain a detailed log of the extra efforts it employs in the procurement of gas supply that is the subject of the PBR mechanism. As one example of the extra efforts employed, on a Saturday in November, the Gas Supply team received a request to sell gas to a third party and did so for that one day. When contacted by this third party, the team investigated whether gas supply was available. The Company reviewed the system supply balance and determined that flexibility was available without risking the supply reliability to its customers. The Company then calculated an offer price to the third party, which was eventually accepted. The existence of the PBR mechanism created an incentive to take this extra effort on behalf of Columbia Kentucky, rather than assigning the transaction and resulting benefit to another affiliate.

This is an example of the type of extra effort undertaken by Columbia Kentucky as part of the incentive created by the PBR mechanism.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Amended Direct Testimony of Judy M. Cooper (Cooper Testimony), page 7, lines 12–15.

a. Explain in detail how it is possible for Columbia Kentucky to deviate from the rates found to be fair, just and reasonable by the Federal Energy Regulatory Commission (FERC). Provide necessary examples if applicable.

b. Explain if FERC reviews and approves any discount contracts that deviate from the rates found to be fair, just and reasonable by the FERC. If so, explain if FERC approved any such deviations for Columbia Kentucky. Provide necessary examples if applicable.

Response:

a. FERC permits interstate pipelines to selectively discount their rates to meet competition. Please refer to Order Reaffirming Discount Policy and Terminating Rulemaking Proceeding, 111 FERC ¶ 61,309 (2005); see also 18 C.F.R. § 284.10(c)(5).
b. FERC does not review and approve discount contracts.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Amended Direct Testimony of Patrick Pluard (Pluard Testimony), page 5, lines 16–18. Provide detailed examples in which Columbia Kentucky aggressively sought and achieved incremental benefits that produce gas cost savings for customers while maintaining reliability of supply that may have not been otherwise undertaken without the existence of the PBR mechanism. Provide as many examples in detail as necessary to fully justify the response.

Response:

Columbia Kentucky has and always will aggressively seek to achieve gas cost savings while maintaining system reliability. Pluard Direct Testimony lines 16-18 states "With the PBR, Columbia is incented to aggressively seek and achieve incremental benefits that produce gas cost savings for customers while maintaining reliability of supply." The testimony does not state that historic reliability of supplies or customer benefits would have been any different absent the PBR. In fact, lines 15-16 state "With or without the PBR, Columbia acts to secure and maintain reliability of supply for the benefit of its customers at a just and reasonable cost." Attempting to provide detailed hindsight examples by changing unknown variables would be subjective and speculative. Columbia Kentucky prefers to rely on historic actuals as its basis for the incentive and ultimately the verifiable benefits the PBR provides. The historic customer savings for program year 2020/2021 was $2,556,045, for program year 2021/2022 was $3,826,981, and for program year 2022/2023 was $6,491,820. Please refer to 2024-00012 PSC Staff DR Set 1 No. 2 Attachment A for a monthly breakout of total saving with customer and company share from January 2020 to December of 2023.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 5, lines 19–20. Provide additional clarification and justification with detailed examples for the statement, "These incremental benefits could be missed without the PBR as several products in the PBR are available to other affiliates."

Response:

Please refer to the response to Staff's Data Request Set 1, No 14. Additionally, Columbia Kentucky's assets are similar in nature to those of other LDCs, such as Columbia Gas of Ohio ("COH"). COH, with approximately 1.4 million customers has similar storage and transportation assets to Columbia Kentucky. When counterparties contact Columbia Kentucky to buy or sell natural gas, or if they desire capacity releases, the Company has choices as to how to administer those transactions. Without the PBR mechanism, the incremental benefits for Columbia Kentucky and its customers could be missed.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 6, lines 15–17, regarding the statement, "The program also provides a means to compare regulatory activity to competitive market activity as it contains rules and benchmarks that provide inherent and efficient ongoing oversight." Provide such a comparison with quantifiable data that would compare the regulatory activity to competitive market activity using Columbia Kentucky.

Response:

The statement "The program also provides a means to compare regulatory activity to competitive market activity as it contains rules and benchmarks that provide inherent and efficient ongoing oversight" is not intended to be quantified and used as a comparison of actual realized savings vs. that of hypothetical market movement based on speculation. The statement is intended to reinforce one of the many benefits of having a gas cost sharing mechanism and why they are so prevalent. The predetermined set of rules where decisions are compared to published benchmarks creates a scorecard for all stakeholders to efficiently track and be confident customers are getting the lowest reasonable cost commodity.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 7, lines 4–8. Provide the "prudent documented results" along with detailed response explaining why these such results justify the extension of the PBR mechanism.

Response:

Columbia Kentucky has and always will strive to provide the most reliable, lowest reasonable cost natural gas to its customers with or without a PBR mechanism. Columbia would like to clarify that it does not claim the PBR in and of itself is solely responsible for customer savings. Columbia Kentucky believes that in additional to other benefits of Gas Cost Incentive Mechanisms (GCIMs) such as incentives and risk sharing, the PBR mechanism provides a pre-determined sharing framework that enables all stakeholders (customers, regulators, and Company) to efficiently verify low-cost portfolio management and be confident the customer is receiving the lowest reasonable cost commodity. It is these benefits along with past proven savings justify the extension of the PBR mechanism. The prudent documented results are shown in 2024-00012 PSC Staff DR Set 1 No. 2 Attachment A.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 7, lines 4–8.

a. Explain in detail what Columbia Kentucky means by "incorrect market decisions", provide examples of what Columbia Kentucky considers to be "incorrect market decisions", and explain why Columbia Kentucky's customers should be forced to cover the costs of such "incorrect market decisions".

b. Also, refer to the Pluard Testimony, page 6, lines 8–10. Explain under what circumstances the Commission would find an "incorrect market decision" made by Columbia Kentucky to not be an imprudent purchasing practice pursuant to KRS 278.274(1).

Response:

a. It is reasonable to conclude that no single individual or group of individuals can pick the exact top or bottom of any given market 100% of the time, particularly the volatile natural gas market. If an individual or group of individuals could pick the exact tops and bottoms of markets, the market themselves would cease to exist.

Movement in the natural gas market is instantaneous, prices can change on a momentary basis. In addition, daily prices can change from First of the Month (FOM) prices. Contract and purchase decisions are always made with the best possible information at the time with the most prudent cost result in mind. The term "incorrect market decision" used in direct testimony refers to the natural movement in the market, which at times can move in a more favorable direction after purchasing decisions are made. This does not mean that such decisions are imprudent.

b. Given that Columbia Kentucky has not and does not engage in imprudent practices, it cannot provide any examples of such a practice.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF’S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 7, lines 8–9. Explain in detail, and provide examples, how Columbia Kentucky is “forced” to compete for lower gas costs.

Response:

The term “forced to compete” as used in testimony is intended to reinforce the fact that the broader natural gas market is a highly competitive environment consisting of participants with differing interests. Columbia competes with other utilities, end users, and other commodity purchasers for the lowest cost supply. Conversely, producers and marketers theoretically maximize their benefit by getting the highest possible sales price for the commodity which puts Columbia Kentucky in direct conflict with their goals. No special market exists just for public utilities. Therefore, Columbia Kentucky is “forced” to procure gas in the competitive market. Published indexes are the summation of all market activity by all the participants. Columbia Kentucky competes in this environment to effectively serve its customers and achieve its objectives every day and on every transaction, which supports the incentive offered by the PBR mechanism.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 8, lines 1–2. Describe in detail the storage used by Columbia Kentucky and how the storage is used in Columbia Kentucky's PBR mechanism.

Response:

Columbia Kentucky contracts for pipeline storage based on its assessment of needs to reliably provide its tariffed sales and delivery services. Columbia Kentucky does not include PBR activity in its assessment of needs. The amount of natural gas storage available for distribution to our customers and balancing the system is a consideration in every gas supply decision.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 8, lines 3–4. Describe in detail the negative performance that occurred impacting customers and Columbia Kentucky. The response should include at the very least: when the events occurred; the causes of the negative performance; Columbia Kentucky's actions as a result of the negative performance; the costs or expenses incurred by Columbia Kentucky due to the negative performance; the cost or expenses incurred by Columbia Kentucky's customers due to the negative performance; and any such responsive internal policy changes undertaken by Columbia Kentucky to help mitigate or avoid any future negative performances.

Response:

The term "negative performance" used in testimony refers to results that may be different than what was originally expected such as weather deviations or pipeline constraints that may impact supply and prices. Events such as these are common for utilities with an obligation to serve. The term "negative performance" was used in the context of highlighting one of the many benefits of the PBR, which is risk sharing. The PBR contains three equally weighted pricing components: Inside FERC Gas Market Report, Platts Gas

Daily and Natural Gas Week. Columbia Kentucky attempts to beat this weighted average benchmark price but may not do so due to events outside of its control such as weather and off-system constraints. For example, in December of 2023, market prices started off relatively high, but with the warm temperatures, fell throughout the month. Columbia Kentucky was not able to buy more gas when prices were at the lowest point to offset the higher priced gas purchased early in the month. The reason for this is that during the winter months, Columbia Kentucky needs to withdraw gas from storage to meet mandated storage levels throughout the course of the winter.

There are also months when gas prices may rise as a result of colder than normal weather. These situations can necessitate incremental purchases, that are on average higher than the benchmark price. The final benchmark price is not known during the month, while Columbia Kentucky tries to determine where prices will settle in the future, it is not always possible to predict the future with absolute certainty.

Columbia does not develop polices to address normal market activity. Columbia Kentucky does meet regularly to develop strategies, plan, and share current market activity to ensure decisions are made with the most up-to-date information.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 8, lines 4–7. Provide justification to support the claim that the monthly Gas Cost Incentive (GCI) mechanism has been able to provide gas cost savings to the customers and Columbia Kentucky, also explain in detail how Columbia Kentucky determined that the GCI component of the PBR mechanism provided gas cost savings for its customers.

Response:

Columbia Kentucky has and always will strive to provide the most reliable, lowest reasonable cost natural gas to its customers with or without a PBR mechanism. Columbia would like to clarify that it does not claim the Gas Cost Incentive ("GCI") mechanism in and of itself is solely responsible for customer savings. Columbia Kentucky believes that in additional to other benefits of GCI mechanisms such as incentives and risk sharing, the GCI mechanism provides a pre-determined sharing framework that enables all stakeholders (customers, regulators, and Company) to efficiently verify low-cost portfolio management and be confident customers are receiving the lowest reasonable cost commodity. For the results of the savings generated through the GCI, Transportation Cost Incentive (“TCI”), and Off System Sales components of the PBR mechanism, please refer to 2024-00012 PSC Staff DR Set 1 No. 24 Attachment A.

	Off System Sales	GCI	TCI
Jan-20	$2,588.50	$4,756.91	$47,854.30
Feb-20	$0.00	$249.43	$46,740.51
Mar-20	$88.00	$17,867.88	$47,720.07
Apr-20	$4,427.75	$57,129.15	$0.00
May-20	$0.00	-$7,849.56	$0.00
Jun-20	$603.00	$38,750.02	$5,280.00
Jul-20	$529.26	$48,112.17	$29,538.96
Aug-20	$0.00	$42,938.05	$77,833.75
Sep-20	$5,270.45	$31,932.20	$118,708.75
Oct-20	$12,925.50	$161,899.35	$318,634.50
Nov-20	$0.00	$19,015.52	$227,212.50
Dec-20	$0.00	$20,363.87	$334,175.74
Jan-21	$19,760.25	$26,861.04	$427,098.24
Feb-21	$24,060.00	$44,422.33	$690,297.31
Mar-21	$2,960.01	$61,895.37	$655,207.31
Apr-21	$587.50	$9,555.58	$390,151.07
May-21	$1,418.50	$937.03	$315,613.87
Jun-21	$12,425.50	$22,086.77	$273,537.12
Jul-21	$13,009.27	$38,957.05	$281,513.87
Aug-21	$14,414.00	$56,708.09	$269,888.87
Sep-21	$19,703.62	$135,227.85	$270,833.87
Oct-21	$21,407.62	$33,526.28	$527,067.74
Nov-21	$28,981.04	$152,510.53	$577,055.74
Dec-21	$3,528.12	$3,263.32	$712,384.16
Jan-22	$34,890.11	$50,887.37	$761,627.16
Feb-22	$8,980.00	$112,948.46	$754,237.96
Mar-22	$24,473.42	$991.81	$709,519.61
Apr-22	$4,118.45	$59,512.31	$355,780.87
May-22	$30.00	$52,206.74	$333,174.55
Jun-22	$0.00	$155,213.50	$348,556.55
Jul-22	$65,827.60	$158,019.72	$358,471.55
Aug-22	$6,198.50	$21,226.27	$393,031.90
Sep-22	$501.00	$109,966.96	$405,597.95
Oct-22	$16,034.53	$74,983.26	$722,362.63
Nov-22	$149,794.43	$229,069.96	$762,903.10
Dec-22	$72,668.80	$232,204.92	$896,167.25
Jan-23	$4,161.20	$26,556.98	$1,147,412.75
Feb-23	$2,671.50	$0.00	$1,067,593.65
Mar-23	$14,421.20	$41,803.43	$972,757.65
Apr-23	$8,499.70	$31,982.22	$356,613.31
May-23	$11,197.13	$31,612.57	$378,878.69
Jun-23	$10,881.40	$21,316.62	$412,256.99
Jul-23	$1,638.73	$6,896.89	$433,903.51

Aug-23	$4,415.84	-$2,182.65	$458,161.01
Sep-23	$40,974.24	$67,934.08	$542,551.01
Oct-23	$23,067.20	-$928.06	$1,068,640.53
Nov-23	$33,358.30	$3,041.42	$1,032,242.03
Dec-23	$10,196.53	-$6,524.05	$1,268,642.37
	$737,687.70	$2,499,856.96	$22,585,432.83

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 8, lines 10–13. Provide justification to support the claim that the monthly Off-System Sales Incentive mechanism has been able to create value for customers and Columbia Kentucky.

Response:

The System Sales Incentive portion of the PBR has a history of providing benefits for both the customers and Columbia Kentucky. This is shown in 2024-00012 PSC Staff DR Set 1 No. 24 Attachment A, which provides the results of the savings generated through the GCI mechanism, Transportation Cost Incentive ("TCI"), and Off System Sales components of the PBR mechanism.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, page 8, line 16. Provide justification that shows why Columbia Kentucky believes that Transportation Cost Incentive benchmark calculation is beneficial and should remain unchanged.

Response:

As identified on pages 8-11 of the Direct Testimony of Patrick Pluard, Columbia Kentucky has discounted firm transportation contracts. When compared to the other Columbia companies, Columbia Kentucky disproportionately benefits from these discounts. The incentives that Columbia Kentucky receives through discounted transportation rates will help to incentivize Columbia Kentucky to negotiate lower transportation rates for firm customers. For the results of the savings generated through the GCI, Transportation Cost Incentive ("TCI"), and Off System Sales components of the PBR mechanism, please refer to 2024-00012 PSC Staff DR Set 1 No. 24 Attachment A.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FIRST REQUEST FOR INFORMATION
DATED APRIL 23, 2024

Refer to the Pluard Testimony, pages 8 through 10, in regards to the changes in demand for natural gas. Explain what measures Columbia Kentucky is planning to undertake to continue to aggressively seek and achieved incremental benefits that produce gas cost savings for customers while maintaining reliability of supply despite these natural gas market changes.

Response:

Columbia Kentucky has and always will seek to provide reliable, lowest reasonable cost supply to its customers. Overall, demand for natural gas is changing, mainly due to the need to the bridge the gap as the U.S. transitions from coal to renewables in the electric industry and increasing LNG exports to satisfy broader world demand. This trend, along with the shift in supply to more shale rich regions leads Columbia Kentucky to believe the demand for natural gas will remain strong in the long-term. In response to this, Columbia Kentucky is doing many things to stay ahead of these trends. First, Transportation and storage contract renewal. When appropriate, Columbia Kentucky is considering contracts with shorter paths to take advantage of the shift in supply from more traditional gulf sources to more local sources. Columbia Kentucky is also considering contracts with shorter term lengths to remain flexible and position itself to be able to take advantage of potential pipeline expansions and upgrades. Columbia Kentucky, a NiSource company is participating in trade groups and coalitions with industry participants, specifically the AGA and NAESB regarding gas and electric harmonization. Second, as with many industries, the natural gas industry is exploring methods and technologies to provide a more sustainable product to its customers. Columbia Kentucky, a NiSource company is following the progression of Renewable Natural Gas (RNG) and Certified Natural Gas. In response to these trends NiSource is working with RNG suppliers on potential opportunities across its territory. NiSource has also joined a certified natural gas coalition dedicated to this initiative. Columbia Kentucky seeks to ensure its customers have the access to these sources in the most reasonable cost-effective manner.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA	)	
GAS OF KENTUCKY, INC. TO EXTEND ITS GAS	)	Case No. 2024-00012
COST INCENTIVE ADJUSTMENT	)	
PERFORMANCE BASED RATE MECHANISM	)	

VERIFICATION OF JUDY COOPER

COMMONWEALTH OF KENTUCKY	)
	)
COUNTY OF FAYETTE	)

Judy Cooper, Director of Regulatory Affairs for Columbia Gas of Kentucky, Inc., being duly sworn, states that she has supervised the preparation of responses to discovery 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.

Judy Cooper

Judy Cooper

The foregoing Verification was signed, acknowledged and sworn to before me this 8th day of May, 2024, by Judy Cooper.

Evelyn Long Durr

Notary Commission No. KYNP49615

Commission expiration: May 15, 2026

EVELYN LONG DURR
Notary Public
Commonwealth of Kentucky
Commission Number KYNP49615
My Commission Expires May 15, 2026

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:	)	
	)	
ELECTRONIC APPLICATION OF COLUMBIA	)	
GAS OF KENTUCKY, INC. TO EXTEND ITS GAS	)	Case No. 2024-00012
COST INCENTIVE ADJUSTMENT	)	
PERFORMANCE BASED RATE MECHANISM	)	

VERIFICATION OF PATRICK PLUARD

COMMONWEALTH OF KENTUCKY	)
	)
COUNTY OF FAYETTE	)

Patrick Pluard, Director of Portfolio Optimization for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of responses to discovery 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.

Patrick Pluard

The foregoing Verification was signed, acknowledged and sworn to before me this 8th day of May, 2024, by Patrick Pluard.

Notary Commission No. KYNP49615

Commission expiration: May 15, 2026

EVELYN LONG DURR
Notary Public
Commonwealth of Kentucky
Commission Number KYNP49615
My Commission Expires May 15, 2026