

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

THE ELECTRONIC APPLICATION OF)	
COLUMBIA GAS OF KENTUCKY, INC.)	CASE NO.
FOR AN ADJUSTMENT OF RATES;)	2024-00092
APPROVAL OF DEPRECIATION STUDY;)	
APPROVAL OF TARIFF REVISIONS; AND)	
OTHER RELIEF)	

POST-HEARING BRIEF OF COLUMBIA GAS OF KENTUCKY, INC.

Filed: November 20, 2024

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I. INTRODUCTION

Columbia Gas of Kentucky, Inc. (“Columbia”); the Attorney General for the Commonwealth of Kentucky, by and through the Office of Rate Intervention (“Attorney General”); Kentucky Industrial Utility Customers (“KIUC”); and Interstate Gas Supply, Inc. and Constellation New Energy – Gas Division, LLC (collectively “Joint Intervenors”) filed a Joint Stipulation and Recommendation (“Joint Stipulation”) in this case that resolves all of the issues raised in Columbia’s Application and all of the filed testimony. The Joint Stipulation presents a reasonable compromise between the parties. It will allow Columbia to invest in its infrastructure to maintain operations in order to assure the continued provision of safe, reliable, and reasonable service at fair, just, and reasonable rates. The Commission should approve it without modification.

II. PROCEDURAL BACKGROUND

Columbia is a jurisdictional utility that provides natural gas to approximately 138,000 residential, commercial, and industrial customers in thirty (30) counties across Kentucky. Columbia’s last general adjustment of rates became effective on December 28, 2021.¹

¹ Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of a Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief*, December 28, 2021 Order (Ky. PSC December 21, 2021).

On April 5, 2024, Columbia filed a notice of its intent to file an application for an approval of increases in its rates and the application was supported by a forecasted test year ending December 25, 2025.² The base period for the application was the twelve months ending August 31, 2024, including actual data for the period September 1, 2023, through February 29, 2024, and forecasted data for the period March 1, 2024, through August 31, 2024.³ On May 16, 2024, Columbia filed its application for a general adjustment of rates, approval of a depreciation study, and approval of various tariff revisions.⁴ The application requested the rates become effective on July 1, 2024.⁵ In the application, Columbia requested to increase the current revenue by \$23,773,019 or an increase in approximately 15.81% increase in revenue.⁶

In the application, Columbia proposed several tariff revisions including accounting for uncollectible expense in the Safety Modification and Replacement (“SMRP”) filings; removal of the residential Late Payment Penalty; modifying the customer charge provision of rate schedule Main Line Delivery Service (“MLDS”) to segment the applicable rate into two blocks based upon the customers’ Annual Transportation Volumes; and reinstating Tariff Sheet 7a as the State Tax Adjustment Factor to account for changes in the Kentucky Tax Code.⁷

² Case No. 2024-00092, Notice of Intent on Behalf of Columbia Gas of Kentucky, Inc. (filed April 5, 2024).

³ Case No. 2024-00092, Application (filed May 16, 2024).

⁴ Case No. 2024-00092, Application.

⁵ Case No. 2024-00092, Application.

⁶ Case No. 2024-00092, Application at 2.

⁷ Case No. 2024-00092, Application at 3.

On May 22, 2024, a deficiency letter was issued.⁸ Columbia responded to the deficiency on May 23, 2024.⁹ After reviewing the response, the Commission accepted Columbia's application for filing as of May 23, 2024.¹⁰

By Order issued June 5, 2024, the Commission suspended Columbia's rates for six months, up to and including January 1, 2025.¹¹ The June 5, 2024 Order also established a procedural schedule for processing of the case, which provided a deadline for requesting intervention, two rounds of discovery upon Columbia's application, a deadline for the filing of intervenor testimony, one round of discovery upon any intervenor testimony, and an opportunity for Columbia to file rebuttal testimony.¹² Throughout the proceedings, Columbia has responded to six requests for information and periodically updated certain responses.¹³

The following parties were granted intervention in the proceedings, the Attorney

⁸ Case No 2024-00092, Deficiency Letter (Ky. PSC May 22, 2024).

⁹ Case No. 2024-00092, Response to Deficiency Letter (filed May 23, 2024).

¹⁰ Case No. 2024-00092, Deficiency Cured Letter (Ky. PSC May 24, 2024).

¹¹ Case No. 2024-00092, June 5, 2024 Order (Ky. PSC June 5, 2024).

¹² Case No. 2024-00092, June 5, 2024 Order.

¹³ Case No. 2024-00092, Responses to Staff's First Request for Information (filed May 30, 2024); Supplemental Response to Staff's DR 1-3 (filed June 12, 2024); Supplemental Response to DR-1 (filed June 13, 2024); Responses to Staff's Second Request for Information (filed July 10, 2024); Supplemental Response to Staff DR 1-3 and 14 (filed July 11, 2024); Columbia Kentucky's Response to Staff's Third Request for Information (filed Aug. 7, 2024); Columbia's Response to Staff's Fourth Request for Information (filed Sept. 11, 2024); August Update to Columbia's Response to Staff's First Request for Information Nos. 3 and 14 (filed Sept. 24, 2024); Responses to PSC DR-5 (filed October 4, 2024); and Columbia's Response to Staff's Post-Hearing Request for Information (filed Nov. 15, 2024) .

General,¹⁴ KIUC,¹⁵ and the Joint Intervenors.¹⁶

Columbia and the intervening parties worked collaboratively to reach a settlement. Columbia and the parties also included Commission Staff in the negotiation of a settlement. On October 14, 2024, Columbia filed the Joint Stipulation.¹⁷ The Joint Stipulation was the result of negotiation by all parties and all parties were signatories to the Joint Stipulation. The Commission conducted a formal hearing on October 21, 2024, for the purposes of hearing testimony regarding the Joint Stipulation and the application. Columbia has filed post-hearing responses to a request for information.

III. COMMISSION JURISDICTION AND STANDARD OF REVIEW

The Commission's jurisdiction extends to the rates and services of public utilities.¹⁸ The Kentucky Supreme Court has stated, "the manifest purpose of the Public Service Commission is to require and insure fair and uniform rates, prevent unjust discrimination, and prevent ruinous competition."¹⁹ Kentucky law outlines that utilities are required to furnish adequate, efficient, and reasonable service, and in exchange may "demand, collect and receive fair, just and reasonable rates for the services rendered."²⁰ In setting these rates, the Commission may not act in a manner that is unlawful or

¹⁴ Case No. 2024-00092, June 5, 2024 Order (Ky PSC June 5, 2024).

¹⁵ Case No. 2024-00092, June 14, 2024 Order (Ky PSC June 14, 2024).

¹⁶ Case No. 2024-00092, June 28, 2024 Order (Ky PSC June 28, 2024).

¹⁷ Case No. 2024-00092, Joint Stipulation, Supporting Documentation, and Testimony (filed Oct. 14, 2024).

¹⁸ KRS 278.040.

¹⁹ *Simpson County Water Dist. v. City of Franklin*, 872 S.W.3d 460, 464 (Ky. 1994) citing *City of Olive Hill v. Public Service Comm'n*, 203 S.W.2d 68 (Ky. 1947).

²⁰ KRS 278.030.

unreasonable.²¹ Unreasonable in the area of rate-making has been defined as confiscatory and leaves the utility unable to maintain its financial integrity.²²

In light of the constitutional and statutory limits on the Commission's authority, it is well-established that the Commission "has no authority to impose a new duty on utilities when that duty has no foundation in law. To do so is an unconstitutional legislative act...."²³ In undertaking its work, the focus of the Commission's efforts are upon the outcome. As stated by the Kentucky Supreme Court: "[T]he Commission has discretion in working out the balance of interests necessarily involved and that it is not the method, but the result, which must be reasonable."²⁴ The Kentucky Court of Appeals offered this similar perspective:

The teaching of these cases is straightforward. In reviewing a rate order courts must determine whether or not the end result of that order constitutes a reasonable balancing, based on factual findings, of the investor interest in maintaining financial integrity and access to capital markets and the consumer interest in being charged non-exploitative rates. ... those choices must still add up to a reasonable result.²⁵

²¹ KRS 278.430.

²² *Public Service Comm'n v. Dewitt Water District*, 720 S.W.2d 725, 730 (Ky. 1986) citing *Commonwealth, ex rel. Stephens v. South Central Bell Telephone Co.*, 545 S.W.2d 927 (Ky. 1976).

²³ *Public Service Comm'n v. Jackson County Rural Elec. Co-op., Inc.*, 50 S.W.3d 764, 766 (Ky. Ct. App. 2000), as modified (July 21, 2000) citing *Henry v. Parrish*, 211 S.W.2d 418 (Ky. 1948).

²⁴ *Kentucky Indus. Utility Customers, Inc. v. Kentucky Utilities Co.*, 983 S.W.2d 493, 498 (Ky. 1998) citing *Federal Power Comm'n v. Hope Natural Gas*, 320 U.S. 591 (1944). See also *National-Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d 503, 515 (Ky. App. 1990) ("We are primarily concerned with the product and not with the motive or method which produced it.") citing *Louisville & Jefferson County Met. Swr. Dist. v. Joseph E. Seagram & Sons*, 211 S.W.2d 122 (Ky. 1948).

²⁵ *National-Southwire Aluminum Co. v. Big Rivers Elec. Corp.*, 785 S.W.2d at 513 citing *Jersey Central Power & Light Co. v. Federal Energy Regulatory Comm'n*, 810 F.2d 1168, 1177 (D. C. Cir. 1987).

In setting rates, “the future as well as the present must be considered.”²⁶ Indeed, “rates are merely the means designed for achieving a predetermined objective, which in this instance was how much additional revenue should the Company be allowed to earn.”²⁷ As the applicant, Columbia bears the burden of proof to demonstrate that it is entitled to the relief which it seeks.²⁸

IV. SUMMARY OF THE JOINT STIPULATION

The Joint Stipulation is the result of constructive negotiations among the parties and provides a balanced resolution to this proceeding. The Joint Stipulation allows Columbia to collect fair, just, and reasonable rates that are non-exploitative. The Joint Stipulation provides a resolution to all matters presented in Columbia’s application and does not create new precedent.²⁹ The Joint Stipulation requires all of the parties to support the settlement before the Commission.³⁰ The Joint Stipulation provides that any party may withdraw from the agreement if the Commission does not approve the agreement in its entirety and without modification.³¹

The major terms of the Joint Stipulation are:

²⁶ *Public Service Comm’n v. Dewitt Water District*, 720 S.W.2d at 730 citing *McCardle v. Indianapolis Water Company*, 272 U.S. 400 (1926).

²⁷ *Kentucky Power Co. v. Energy Regulatory Comm’n*, 623 S.W.2d 904, 908 (Ky. 1981).

²⁸ See *Energy Regulatory Comm’n v. Kentucky Power Co.*, 605 S.W.2d 46, 49 (Ky. App. 1980).

²⁹ Case No. 2024-00092, Joint Stipulation, Supporting Documentation, and Testimony; 2024-00092 Joint Stipulation (filed Oct. 14, 2024).

³⁰ Case No. 2024-00092, Joint Stipulation at 11.

³¹ Case No. 2024-00092, Joint Stipulation at 11-12.

- The adjusted base rate revenue requirement for the forecasted year of January 1, 2025 through December 31, 2025, is proposed to be \$164.671 million. This is an increase of \$14.313 over the forecasted test year revenue. The revenue requirement reductions are further outlined below.
- The residential customer charge is proposed to increase by \$1.50 from \$19.75 per billing period to \$21.25 per billing period. This is a reduction from the original proposed customer charge in Columbia's Application of \$27.00.
- The thirteen-month average rate base for the forecasted test period is proposed to be \$509.471 million.
- Columbia's authorized return on equity ("ROE") is proposed to be 9.75% for natural gas base rates.
- Columbia's long-term debt rate included in the cost of capital is proposed to be 4.80% and the short-term debt rate included in the cost of capital is proposed to be 5.25%.
- Columbia's capital structure is proposed to be 52.64% equity, 45.53% long-term debt, and 1.83% short-term debt.
- The weighted average cost of capital ("WACC") is proposed to be 7.41%.
- The removal of all costs associated with the Green Path Rider.
- The parties agreed the following reductions from the revenue requirement in the application:

- Inclusion of cash working capital in rate base, which reduces the originally proposed revenue requirement by \$0.851 million.
- The value of long-term incentive compensation expense tied to financial earnings calculated by the Attorney General Witness Defever is proposed to be removed from the revenue requirement, resulting in a revenue requirement reduction of \$1.590 million.
- Short-term incentive compensation and profit sharing expense tied to financial earnings is proposed to be removed, which reduces the originally proposed revenue requirement by \$1.609 million.
- Retirement benefit expenses are adjusted to reflect a reduction in 401(k) for employees who are also covered under a defined benefit plan, which reduces the originally proposed revenue requirement by \$0.296 million.
- Retirement benefits expenses related to the Pension Restoration Plan is proposed to be removed, which reduces the originally proposed revenue requirement by \$0.006 million.
- Retirement benefit expenses related to the Supplemental Executive Retirement Plan (“SERP”) is proposed to be removed, which reduces the originally proposed revenue requirement by \$0.054 million.
- The American Gas Association (“AGA”) dues are proposed to be reduced by \$0.021 million from the originally proposed revenue requirement.

- Columbia withdraws its proposal for the Tax Act Adjustment Factor (“TAAF”) Tariff.
- Columbia withdraws its request for a ROE applied to the capital recovered by the Safety Modification and Replacement Program (“SMRP”) Rider to be equal to that of the ROE applied to base rates, and instead will propose an updated ROE for the SMRP in the annual update filing in Case No. 2024-00328.
- Columbia will not file an application for an adjustment of base rates where such adjustment would have an effective date at the conclusion of the Commission’s suspension period under KRS 278.190 for service rendered prior to Unit 1 of Columbia’s January 2027 billing cycle. There are several exceptions to the base rate stay out included in the Joint Stipulation, including: deferral of Costs permissible under the Commission’s standard for deferrals; emergency rate relief under KRS 278.190(2); adjustment to the operation of any of Columbia’s now existing, or future, cost recovery surcharges; the request for necessary rate relief due to changes in law or regulations including changes in tax rates, or implementation of new environmental or safety compliance costs.
- All other tariff changes in the application, including the inclusion of uncollectible expense into SMRP and the removal of the Late Payment Penalty for residential service are recommended to be approved.

- The actual rate case expense is proposed to be recovered and amortized over three years without carrying costs.
- In addition to the \$21,500 already pledged for low-income energy assistance in 2024, Columbia will contribute an additional \$50,000 in 2024. In 2025 and 2026, Columbia will contribute \$50,000 per year.
- The Depreciation Study and related accounting treatment should be approved with an effective date of the new depreciation rates to be the same day as Columbia's new base rate become effective.
- The Supplier's discount on accounts receivable is proposed to be 1.75%.³²

**V. THE JOINT STIPULATION PROVIDES A FAIR, JUST AND REASONABLE
RESOLUTION OF ALL ISSUES IN COLUMBIA'S APPLICATION AND SHOULD
BE APPROVED IN ITS ENTIRETY AND WITHOUT MODIFICATION**

Columbia, the Attorney General, KIUC, and the Joint Intervenors, each with diverse interests and viewpoints, have reached a complete settlement of all the issues raised in the application and have tendered the Joint Stipulation to the Commission for consideration and approval. The unanimous settlement fairly balances the interests of Columbia and its ratepayers. The Joint Stipulation provides Columbia the ability to earn

³² See Joint Stipulation, Supporting Documentation, and Testimony; 2024-00092 Joint Stipulation.

a fair rate of return on its investments and minimize customer rate impacts by setting fair, just and reasonable rates.

Columbia and the intervening parties have presented the Commission with a thoughtful and meaningful settlement that takes into consideration Commission precedent on issues that are common in general rate proceedings. Failure to approve the Joint Stipulation as agreed by the parties would deprive the unanimous parties the benefit of the bargain presented in the Joint Stipulation. Additionally, if the Joint Stipulation is not approved, any of the parties could withdraw from the settlement. For the reasons set forth herein, the Joint Stipulation and the collaboration it represents should be honored and approved without modification.

THE JOINT STIPULATION'S PROPOSED REVENUE INCREASE IS REASONABLE

The Joint Stipulation proposes that Columbia's adjusted base rate revenue requirement for the forecasted test year of January 1, 2025, through December 31, 2025, is \$164.671 million.³³ This represents an increase of \$14.313 million over the test year revenue that would be collected at current rates, which equates to an overall increase in base rates of 9.52%.³⁴ As discussed previously, this agreement on the needed revenue increase was the product of extensive negotiations by the parties. This revenue

³³ Case No. 2024-00092, Joint Stipulation at 3.

³⁴ Case No. 2024-00092, Joint Stipulation at 3.

requirement is fair, just and reasonable and should be accepted as proposed in the Joint Settlement.

INCENTIVE COMPENSATION, PROFIT SHARING AND RETIREMENT BENEFITS EXPENSE

The Joint Stipulation removed the short- and long-term financial incentive compensation, profit sharing, and associated payroll tax expense tied to the financial performance of the Company.³⁵ This is consistent with Commission precedent,³⁶ and results in a reduction from the originally proposed revenue requirement of \$3.199 million.³⁷ The Joint Stipulation made three adjustments to Columbia's original revenue requirement that are related to employee retirement expenses including 401(k) contributions for employees who are also covered under a defined benefit plan, Pension Restoration Plan, and SERP.³⁸ This results in a total reduction to the as filed revenue requirement of \$0.356 million.

These reductions in the revenue requirement are consistent with the Attorney General's recommendations in filed testimony.³⁹ The other intervenors in this proceeding also believe these are appropriate adjustments. For these reasons, these adjustments to the revenue requirement in the Joint Settlement are reasonable and should be accepted.

³⁵ Case No. 2024-00092, Joint Stipulation at 5-6.

³⁶ See Case No. 2018-00358, *In the Matter of the Electronic Application of Kentucky-American Water Company for an Adjustment of Rates*, August 8, 2019 Order (Ky. PSC Aug, 8, 2019).

³⁷ Case No. 2024-00092, Joint Stipulation at 5.

³⁸ Case No. 2024-00092, Joint Stipulation at 5-6.

³⁹ Case No. 2024-00092, Direct Testimony of John Defever (Defever Direct Testimony) at 19-20.

CORPORATE AVIATION EXPENSE

The Joint Settlement includes Columbia’s originally proposed request for \$0.252 million in corporate aviation expenses in the revenue requirement. As stated in the Formal Hearing, the corporate aircraft is used by employees who perform work on behalf Columbia and its affiliated companies and the use of the aircraft allows these employees to continue to conduct meetings and work both privately and efficiently while traveling.⁴⁰ The corporate aircraft is used to transport employees for best practices visits with peer companies to learn about ways to do work more efficiently and reduce costs, which can ultimately result in savings for customers.⁴¹ The amount included in the settled revenue requirement represents costs that would have otherwise been spent on commercial flights for these purposes, but in a more efficient way.⁴²

Recovery of corporate aviation expense has been previously permitted by the Commission. In Kentucky Power’s 2017 rate case, the Commission recognized that “[w]hile private jet travel may appear to be an extravagance, legitimate travel expenses would have been incurred through commercial airlines.”⁴³ This is the exact same situation as what is agreed to in the Joint Stipulation here. The Joint Stipulation was the

⁴⁰ Case No. 2024-00092, Hearing Video Testimony (HVT) at 11:36:30.

⁴¹ Case No. 2024-00092, Hearing Video Testimony (HVT) at 10:41:00.

⁴² Case No. 2024-00092, Hearing Video Testimony (HVT) at 10:41:45.

⁴³ Case No. 2017-00179, *In the Matter of Electronic Application of Kentucky Power Company for (1) a General Adjustment of its Rates for Electric Service; (2) an Order Approving its 2017 Environmental Compliance Plan; (3) an Order Approving its Tariffs and Riders; (4) an Order Approving Accounting Practices to Establish Regulatory Assets and Liabilities; and (5) an Order Granting all Other Required Approvals and Relief*, Order (Ky. PSC Jan. 18, 2018) at 17.

product of extensive negotiations between all the parties. The inclusion of corporate aviation expense is reasonable and should be approved as part of the total deal before the Commission.

INVESTOR RELATIONS EXPENSE

The Joint Stipulation includes Columbia's originally proposed Investor Relations expense of \$0.061 million.⁴⁴ As stated in the supporting testimony and at the Formal Hearing, these expenses are incurred for the benefit of the ratepayers.⁴⁵ The Investor Relations department acts as a liaison between the Company and investors. This allows NiSource, and Columbia, to reduce the premium required by investors which would ultimately be passed along to customers. The inclusion of Investor Relations expenses in the revenue requirement was agreed to in the larger context of the Joint Stipulation. Inclusion of the \$0.061 million for this expense⁴⁶ in the revenue requirement is fair, just and reasonable and should be approved.

DIRECTOR AND OFFICERS CORPORATE INSURANCE EXPENSE

The Joint Stipulation includes Columbia's originally proposed Director and Officers Corporate Insurance ("D&O") expense amount of \$0.142 million in the revenue

⁴⁴ Case No. 2024-00092, Joint Stipulation, Supporting Documentation, and Testimony, Judy M Cooper Settlement Testimony at 12.

⁴⁵ Case No. 2024-00092, Joint Stipulation, Supporting Documentation, and Testimony, Judy M Cooper Settlement Testimony at 12 and HVT at 10:33:21.

⁴⁶ Please note that Witness Defever originally proposed a 75% reduction in Investor Relations expense, which amounts to \$0.045 million.

requirement.⁴⁷ Columbia's and NiSource's corporate bylaws require indemnification of employees that are involved in litigation related to their duties with the companies. Ultimately, this insurance reduces the costs⁴⁸ that would be passed on to ratepayers if Columbia executives were involved in litigation related to the operation of the business.⁴⁹

AMERICAN GAS ASSOCIATION DUES EXPENSE

The Joint Stipulation contained an agreement to reduce the American Gas Association ("AGA") Dues.⁵⁰ Originally this reduction was proposed by Attorney General Witness Defever.⁵¹ As part of the negotiation of the Joint Stipulation, the parties agreed to accept the Attorney General's recommendation. This results in a \$0.021 million reduction of the revenue requirement. This adjustment is fair, just, and reasonable.

NI SOURCE CORPORATE SERVICES COMPANY ALLOCATED EXPENSES

In responses to discovery⁵² and in the evidentiary hearing,⁵³ Columbia provided information on its review of costs allocated to it by NiSource Corporate Services Company ("NCSC"). As described by Columbia Witness Cole,⁵⁴ the leadership of Columbia performs formal reviews of allocated expenses on a monthly basis. During

⁴⁷ Judy M Cooper Settlement Testimony at 12 and Joint Stipulation, Attachment A.

⁴⁸ Please note that Witness Defever originally proposed a 75% reduction of this expense, which \$0.107 million.

⁴⁹ Judy M Cooper Settlement Testimony at 13.

⁵⁰ Judy M Cooper Settlement Testimony at 13.

⁵¹ Defever Direct Testimony at 30-32.

⁵² See, for example, Case No. 2024-00092, Columbia Response to Staff Set 1, No.27

⁵³ HVT at 9:15:00.

⁵⁴ HVT at 9:16:15.

these reviews, Columbia is afforded the opportunity to and does challenge costs⁵⁵ and seeks additional information.⁵⁶ These monthly reviews are a part of an ongoing dialogue about the finances of Columbia and the appropriateness of costs allocated to it.⁵⁷ This represents a “dramatic”⁵⁸ change in process since Columbia’s last rate case.⁵⁹

THE JOINT STIPULATION’S PROPOSED RATE BASE IS REASONABLE

The Joint Stipulation reasonably proposes that the thirteen-month average rate base for the forecasted test period is \$509.471 million.⁶⁰ That figure takes into account each of the revenue adjustments described above that had an impact upon rate base. The rate base is reasonable and should be approved.

THE JOINT STIPULATION INCLUDES A REASONABLE COST OF CAPITAL

The Joint Stipulation also resolved the cost of capital. Columbia requested in its Application to be allowed an authorized return on equity of 10.80%.⁶¹ The Attorney General’s recommendation was for a 9.60% return on equity.⁶² The Joint Stipulation recommends an authorized return on equity of 9.75%.⁶³ The Joint Stipulation also contains an agreement that Columbia will withdraw its request for the SMRP rider’s

⁵⁵ See Columbia’s Response to Staff Post Hearing Request No. 1.

⁵⁶ HVT at 9:18:35.

⁵⁷ HVT at 9:19:15.

⁵⁸ HVT at 10:02:12 and 10:02:54

⁵⁹ *Upra Note 1.*

⁶⁰ Case No. 2024-00092, Joint Stipulation at 3.

⁶¹ Application, Volume 2, Tab 22, Direct Testimony of Vincent Rea (Rea Direct Testimony) at 3-4.

⁶² Direct Testimony of Richard Baudino (Baudino Direct Testimony) at 3 (filed August 14, 2024).

⁶³ Case No. 2024-00092, Joint Stipulation at 3.

return on equity to be the same as base rates, and that Columbia will instead request that this issue be resolved in the annual update to the SMRP Rider in Case No. 2024-00328.⁶⁴

For the debt portion of the cost of capital calculation, the Joint Stipulation reasonably recommends that the long-term debt rate should be 4.80%⁶⁵ and the short-term debt rate should be 5.25%.⁶⁶ The Joint Stipulation recommends Columbia's capital structure should be as follows: 52.64% equity, 45.53% long-term debt, and 1.83% short-term debt.⁶⁷ Finally, the Joint Stipulation recommended that Columbia's WACC should be 7.41%.⁶⁸ All of these recommendations are reasonable and should be accepted by the Commission.

THE JOINT STIPULATION PROPOSES A REASONABLE RATE DESIGN

The rate design proposed by Columbia in its application remains largely intact in the Joint Stipulation; however, there are two changes. First, the Joint Stipulation recommends that Columbia's customer charge for residential service should increase by \$1.50 from \$19.75 per billing period to \$21.25 per billing period.⁶⁹ This is significantly less than the increase originally proposed in Columbia's Application.⁷⁰ The other change to rate design is in Rate DS, which applies to large commercial and industrial customers.

⁶⁴ Case No. 2024-00092, Joint Stipulation at 7.

⁶⁵ Case No. 2024-00092, Joint Stipulation at 4.

⁶⁶ Case No. 2024-00092, Joint Stipulation at 4.

⁶⁷ Case No. 2024-00092, Joint Stipulation at 4.

⁶⁸ Case No. 2024-00092, Joint Stipulation at 3.

⁶⁹ Judy M Cooper Settlement Testimony at 14 and Joint Stipulation at 3

⁷⁰ Judy M Cooper Settlement Testimony at 14, Joint Stipulation at 3, and Application.

Rate DS currently has three blocks/tiers with unique rates that apply to each block. The first block applies to all customers in the rate class, the second block applies only to customers who consume natural gas in excess of volumes applicable to the first block, and the third block applies only to customers who consume natural gas in excess of the volumes applicable to the second block.⁷¹ The higher the block that applies, the lower the volumetric charge for the incremental consumption of natural gas.⁷²

The Joint Stipulation provides that the increase proposed to apply to the third block of Rate DS will be split evenly and applied to the first two blocks of the rate class only.⁷³ This means that a customer who reaches the third block of Rate DS will see a lower percentage in the rate increase as compared to customers that do not reach the third volumetric block.⁷⁴ This change does not impact the total incremental rate increase to Rate DS or any other rate class. Additionally, this same type of rate increase for Rate DS was previously approved by the Commission.⁷⁵

THE JOINT STIPULATION TARIFF REVISIONS ARE REASONABLE

Columbia's Application contained several proposed tariff modifications.⁷⁶ The Joint Stipulation adopts all of the proposed tariff modifications, save for Columbia's

⁷¹ Judy M Cooper Settlement Testimony at 14.

⁷² Judy M Cooper Settlement Testimony at 14-15.

⁷³ Judy M Cooper Settlement Testimony at 15.

⁷⁴ Judy M Cooper Settlement Testimony at 14.

⁷⁵ Case No. 2021-00183, *Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of a Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief*, December 28, 2021 Order (Ky. PSC Dec. 28, 2021).

⁷⁶ Application at 3.

proposal to reinstate the State Tax Adjustment Factor Tariff, which it has agreed to withdraw.⁷⁷ The proposed tariff amendments include the removal of Columbia's Late Payment Penalty currently applied to residential customers.⁷⁸ This is beneficial to residential customers who face hardships paying bills, especially in the winter heating season.

In the Joint Stipulation, the parties also agreed to include recovery of uncollectible expenses in the SMRP Rider mechanism calculation.⁷⁹ This is due to the fact that Columbia did not seek to include SMRP capital investments in rate base in its base rate Application. As a result, the SMRP will now include historic capital investments that would have been in base rates and associated uncollectible expense that would have been applied to those investments. For these reasons, it is reasonable and appropriate to include uncollectible expense in the SMRP Rider.

COLUMBIA'S STAY OUT PROVISION

A key term of the Joint Stipulation is Columbia's agreement to not file another application to adjust its base rates where such adjustment would have an effective date prior to Unit 1 of Columbia's January 2027 billing.⁸⁰ In other words, Columbia may file an application for an adjustment of rates prior to January 1, 2027, provided the effective

⁷⁷ Judy M Cooper Settlement Testimony at 15-16 and Joint Stipulation at 7, 8-9.

⁷⁸ Judy M Cooper Settlement Testimony at 15.

⁷⁹ Judy M Cooper Settlement Testimony at 15.

⁸⁰ Judy M Cooper Settlement Testimony at 17 and Joint Stipulation at 7.

date of rates, once suspended by the Commission in accordance with KRS 278.190, are not effective for service rendered prior to Unit 1 of Columbia's January 2027 billing cycle.

Notwithstanding the base rate stay-out commitment, the Joint Stipulation provides that Columbia shall retain the right to seek approval from the Commission of the deferral of costs permissible under the Commission's standard for deferrals;⁸¹ emergency rate relief under KRS 278.190(2) to avoid a material impairment or damage to credit or operations;⁸² adjustments to the operation of any Columbia's now existing, or future, cost recovery surcharge mechanisms; and rate relief for costs or programs required due to change in law or regulation that may occur during the stay-out period.⁸³

ALL OTHER PROVISIONS OF THE JOINT SETTLEMENT ARE FAIR,

JUST AND REASONABLE

When considering the Joint Stipulation as a whole, the adjustments to the originally proposed revenue requirement, rate base, cost of capital, tariff changes, and all other provisions are reasonable and result in fair, just and reasonable resolution to all issues presented in this proceeding. While no individual party would have agreed to each of these adjustments in isolation, the compromises that were reached were of benefit to each party to the Joint Stipulation including the residential ratepayers whose interests were represented by the Attorney General. Additionally, while reaching this

⁸¹ Joint Stipulation at 8.

⁸² Joint Stipulation at 8.

⁸³ Joint Stipulation at 8.

compromise, the parties took into consideration Commission precedent to craft adjustments that reflect historical outcomes of rate proceedings before the Commission. While a myriad of other adjustments could have been made, the Joint Stipulation represents a bargained-for outcome that, under the specific facts of this case, is fair, just and reasonable. The Joint Stipulation is clear that no concession or adjustment is to be given precedential value, or is in any way binding on the Commission or a signatory to the Joint Stipulation, in a future proceeding. However, the Joint Stipulation's adjustments to Columbia's originally proposed revenue requirement are appropriate as a complete package.

The Joint Stipulation recommends that Columbia's Depreciation Study and related accounting treatment should be approved with an effective date of the new depreciation rates to be the same day that Columbia's new base rates become effective.⁸⁴

In addition, the Joint Stipulation recommends that Columbia should recover its actual rate case expense, as reflected in any filings made by November 30, 2024, over a three-year period, and without carrying charges, beginning on the effective date of revised rates.⁸⁵

⁸⁴ Joint Stipulation at 10.

⁸⁵ Joint Stipulation at 9.

VI. CONCLUSION

Columbia appreciates the time and attention that the Commission, Commission Staff, the Attorney General, KIUC, and the Joint Intervenors have devoted to this case. The discovery in this case has been far reaching and detailed. The record demonstrates that the outcome proposed in the Joint Stipulation is fair, just and reasonable in accordance with KRS 278.300. It will allow Columbia to earn a modest return while continuing to invest in its system. These investments will make the system safer, more reliable, and more efficient. All of the adjustments to revenue, rate base, capital costs, tariff revisions, and contributions to low-income consumer assistance programs were fully evaluated and purposefully included in terms of the Agreement. Though one might be tempted to quibble with any particular aspect of the Joint Stipulation, or to emphasize any other potential adjustments that could have been included within the Joint Stipulation, the outcome presented in the Joint Stipulation is plainly fair, just, and reasonable on its face and should be approved in its entirety and without modification.

Wherefore, on the basis of the foregoing, Columbia respectfully requests the Commission approve the Joint Stipulation in its entirety and without modification and grant it all other relief to which it may be entitled.

This 20th day of November, 2024.

Respectfully submitted,


L. Allyson Honaker
Brittany Hayes Koenig
Heather S. Temple
Honaker Law Office, PLLC
1795 Alysheba Way, Suite 6202
Lexington, KY 40509
Telephone (859) 368-8803
allyson@hloky.com
brittany@hloky.com
heather@hloky.com

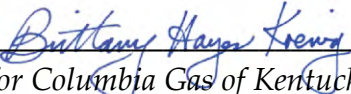
And

John R. Ryan
Senior Counsel
290 W. Nationwide Blvd.
Columbus, Ohio 43216-0117
Telephone: (614) 285-2220
johnryan@nisource.com

Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

CERTIFICATE OF SERVICE

This is to certify that the foregoing electronic filing was transmitted to the Commission for filing on November 20, 2024; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; by virtue of the Commission's July 22, 2021 Order in Case No. 2020-00085, no paper copies of this filing will be made.


Counsel for Columbia Gas of Kentucky, Inc.