

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)	

**COLUMBIA GAS OF KENTUCKY, INC.'S VERIFIED RESPONSE TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
ENTERED APRIL 24, 2024**

Comes now Columbia Gas of Kentucky, Inc.'s ("Columbia"), by counsel, and does hereby tender its Verified Response to Commission Staff's First Request for Information entered June 21, 2024.

Entered July 10, 2024

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
ELECTRONIC APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF)
RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF CHRISLEY SCOTT

STATE OF OHIO)
COUNTY OF FRANKLIN)

Chrisley Scott, Director of Capital Program and Support Services for NiSource 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.

Chrisley Scott (handwritten signature)

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Chrisley Scott.

Notary Commission No. N/A

Commission expiration: N/A



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

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF

)
)
)
)
)
)
)

Case No. 2024-00092

VERIFICATION OF BETH OWENS

STATE OF OHIO

)
)
)

COUNTY OF FRANKLIN

Beth Owens, Director of Compensation for NiSource Corporate Services Company, on behalf of 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.

Beth Owens

Beth Owens

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Beth Owens.

Notary Commission No. N/A

Commission expiration: N/A



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

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
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ELECTRONIC APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF) Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

VERIFICATION OF MICHAEL E. GIRATA

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Michael E. Girata, Manager of Demand Forecasting 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.

Michael E. Girata
Michael E. Girata

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Michael E. Girata.

[Signature]

Notary Commission No. NA
Commission expiration: NA



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

COMMONWEALTH OF KENTUCKY

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RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF JULIE C. WOZNIAK

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Julie C. Wozniak, Manager of Regulatory Studies for NiSource Corporate Service Company, a management and services subsidiary of NiSource Inc. 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.

Julie C. Wozniak
Julie C. Wozniak

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Julie C. Wozniak.

[Signature]
Notary Commission No. N/A

Commission expiration: N/A



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

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APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF TAMALEH SHAEFFER

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Tamaleh Shaeffer, Rate Case Execution Manager for NiSource Corporate Services Company, 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.

Tamaleh L. Shaeffer
Tamaleh Shaeffer

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Tamaleh Shaeffer.

[Signature]
Notary Commission No. N/A
Commission expiration: N/A



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

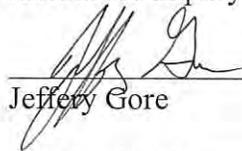
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RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

VERIFICATION OF JEFFERY GORE

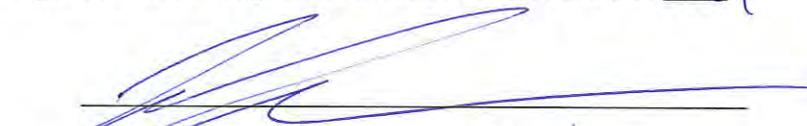
STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Jeffery Gore, Regulatory Manager for NiSource Corporate Services Company, 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.



Jeffery Gore

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Jeffery Gore.



Notary Commission No. N/A
Commission expiration: N/A



John R Ryan III
Attorney At Law
Notary Public, State of Ohio
My commission has no expiration date
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RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF CRAIG INSCHO

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Craig Inscho, Financial Planning Manager for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has supervised the preparation of 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.

[Signature]
Craig Inscho

The foregoing Verification was signed, acknowledged and sworn to before me this 2nd day of July, 2024, by Craig Inscho.

[Signature]
Notary Commission No. N/A
Commission expiration: N/A



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

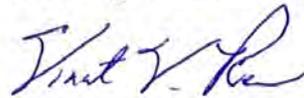
COMMONWEALTH OF KENTUCKY
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RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

VERIFICATION OF VINCENT V. REA

STATE OF NORTH CAROLINA)
)
COUNTY OF MOORE)

Vincent V. Rea, CRRA, Managing Director, Regulatory Finance Associates, LLC, consultant for 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.

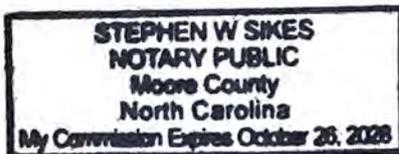


Vincent V. Rea, CRRA

The foregoing Verification was signed, acknowledged and sworn to before me this 3 day of July, 2024, by Vincent V. Rea, CRRA.



Notary Commission No. 20182990061
Commission expiration: 10-26-28



COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
ELECTRONIC APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF) Case No. 2024-00092
RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

VERIFICATION OF JOHN J. SPANOS

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF CUMBERLAND)

John J. Spanos, President of Gannett Fleming Valuation and Rate Consultants, LLC, 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.



John J. Spanos

The foregoing Verification was signed, acknowledged and sworn to before me this 3rd day of July, 2024, by John J. Spanos.



Commonwealth of Pennsylvania - Notary Seal
Cheryl Ann Rutter, Notary Public
Cumberland County
My commission expires February 20, 2027
Commission number 1143028
Member, Pennsylvania Association of Notaries

Notary Commission No. 1143028

Commission expiration: February 20, 2027

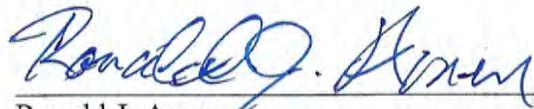
COMMONWEALTH OF KENTUCKY
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RELIEF)

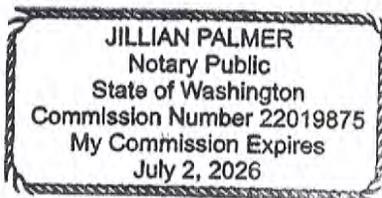
VERIFICATION OF RONALD J. AMEN

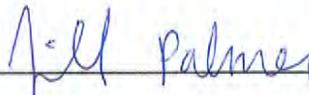
STATE OF WASHINGTON)
)
COUNTY OF KING)

Ronald J. Amen, Managing Partner of Atrium Economics, LLC, consultant for 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.


Ronald J. Amen 7/8/24

The foregoing Verification was signed, acknowledged and sworn to before me this 8th day of July, 2024, by Ronald J. Amen.




Notary Commission No. 22019875
Commission expiration: 7-2-2026

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

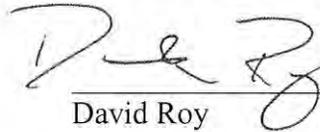
In the Matter of:)
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OF KENTUCKY, INC. FOR AN ADJUSTMENT OF)
RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

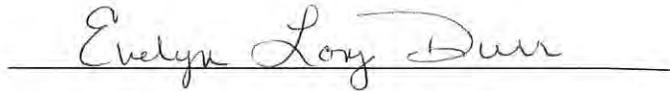
VERIFICATION OF DAVID ROY

STATE OF KENTUCKY)
)
COUNTY OF FAYETTE)

David Roy, Vice President of Supply Chain 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.

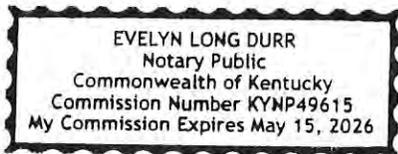

David Roy

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of July, 2024, by David Roy.



Notary Commission No. KYNP49615

Commission expiration: May 15, 2026



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
ELECTRONIC APPLICATION OF COLUMBIA GAS)
OF KENTUCKY, INC. FOR AN ADJUSTMENT OF)
RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF NICHOLAS R. BLY

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Nicholas R. Bly, Accounting Manager for NiSource Corporate Service Company, a management and services subsidiary of NiSource Inc. for 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.

Nicholas R. Bly (handwritten signature)
Nicholas R. Bly

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of July, 2024, by Nicholas R. Bly.

Notary Commission No. N/A
Commission expiration: N/A



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

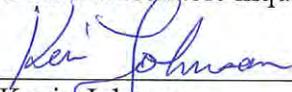
COMMONWEALTH OF KENTUCKY
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RATES; APPROVAL OF DEPRECIATION STUDY;)
APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

VERIFICATION OF KEVIN JOHNSON

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Kevin Johnson, Lead Regulatory Analyst, with NiSource Corporate Services Company, 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.



Kevin Johnson

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of July, 2024, by Kevin Johnson.



Notary Commission No. N/A
Commission expiration: N/A



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

COMMONWEALTH OF KENTUCKY

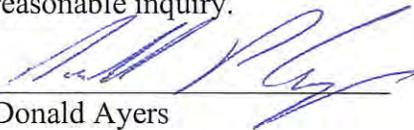
BEFORE THE PUBLIC SERVICE COMMISSION

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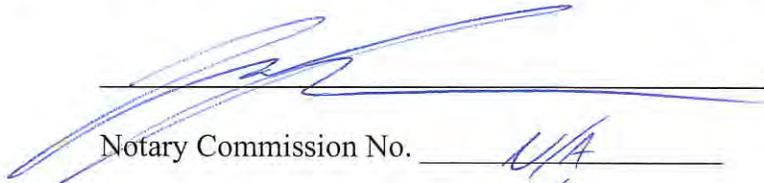
VERIFICATION OF DONALD AYERS

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF FAYETTE)

Donald Ayers, Vice President of Operations for 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.


 Donald Ayers

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of July, 2024, by Donald Ayers.


 Notary Commission No. N/A
 Commission expiration: N/A



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

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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ELECTRONIC APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC. FOR AN ADJUSTMENT OF RATES; APPROVAL OF DEPRECIATION STUDY; APPROVAL OF TARIFF REVISIONS; AND OTHER RELIEF

Case No. 2024-00092

VERIFICATION OF KIMRA COLE

COMMONWEALTH OF KENTUCKY)
COUNTY OF FAYETTE)

Kimra Cole, President and Chief Operating Officer 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.

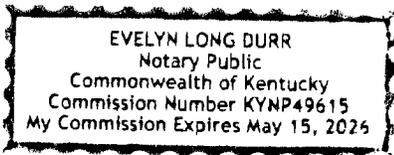
Kimra H. Cole
Kimra Cole

The foregoing Verification was signed, acknowledged and sworn to before me this 8th day of July, 2024, by Kimra Cole.

Evelyn Long Durr

Notary Commission No. KYNP49615

Commission expiration: May 15, 2026



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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Case No. 2024-00092

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.

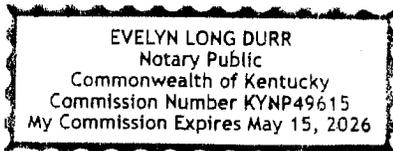
Judy Cooper (signature)

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

Evelyn Long Durr (signature)

Notary Commission No. KYNP49615

Commission expiration: May 15, 2026



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF GREGORY SKINNER

STATE OF OHIO)
COUNTY OF FRANKLIN)

Gregory Skinner, Vice-President IT Utilities Systems for NiSource Corporate Services Company, 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.

Handwritten signature of Gregory Skinner
Gregory Skinner

The foregoing Verification was signed, acknowledged and sworn to before me this 5th day of July, 2024, by Gregory Skinner.

Handwritten signature of Notary Public

Notary Commission No. 2021KE 838591

Commission expiration: 4/27/2026



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF JENNIFER HARDING

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Jennifer Harding, Vice-President of Taxation NiSource Corporate Services Company, 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.

Jennifer Harding (with signature)

The foregoing Verification was signed, acknowledged and sworn to before me this 10th day of July, 2024, by Jennifer Harding.

Notary Commission No. N/A
Commission expiration: N/A



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

COMMONWEALTH OF KENTUCKY

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APPROVAL OF TARIFF REVISIONS; AND OTHER)
RELIEF)

Case No. 2024-00092

VERIFICATION OF KRISTEN KING

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Kristen King, Director of SEC Reporting, Technical Research & SOX Compliance for NiSource Corporate Service Company 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.

[Handwritten signature of Kristen King]
Kristen King

The foregoing Verification was signed, acknowledged and sworn to before me this 9th day of July, 2024, by Kristen King.

[Handwritten signature]
Notary Commission No. N/A
Commission expiration: N/A



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

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

1. Refer to the Direct Testimony of Donald Ayers (Ayers Direct Testimony), generally.
 - a. Provide the number of incidents Columbia Kentucky classified as "Excavator Damage (Not Reported)" for the past three calendar years.
 - b. For the last two calendar years, provide an explanation as to how the incidents of damage that were not reported were discovered.

Response:

- a. For the past three years, Columbia has discovered four damages that were not reported at time of damage.
- b. There were two damages that were classified as "Excavator Damage (Not Reported)" in the past two calendar years. The damage discovered in 2022 was called in by the customer as a low-pressure call. The damage in 2023 was discovered during a gas odor investigation.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

2. Refer to Ayers Direct Testimony, page 4, line 14. Provide a definition for high-risk threats as it relates to the ten threats identified.

Response:

The ten (10) threats classified as "high" are those threats determined through quantitative data driven evaluation and qualitative Subject Matter Expert (SME) validation. A high risk indicates that appropriate risk mitigation programs are needed. The evaluations consider potential threats, likelihood of failure associated with known threats, consequences of failures, and relative importance posed to the pipeline. By considering all threat categories and all distribution facilities, results enable the Company to focus efforts on those asset groups and threats posing the greatest risk.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

3. Refer to Ayers Direct Testimony, page 7, line 10, entitled Threat 7, Possible LP MAOP Excursions.

a. Provide a detailed explanation of events involving pressure exceeding or falling below regulator set points since the installation of safety devices, including how those events were addressed by Columbia Kentucky.

b. Provide the location of the low-pressure segments of Columbia Kentucky's gas system and indicate issues with customers outages and abnormal operations Columbia Kentucky has experienced in past five years.

Response:

a. Please refer to KY PSC Case No. 2024-00092 Staff 2-3 Attachment A.

b. For a list of all low-pressure segments of Columbia's system, please refer to CONFIDENTIAL KY PSC Case No. 2024-00092 Staff 2-3 Attachment B. KY PSC Case No. 2024-00092 Staff 2-3 Attachment A contains a listing of abnormal operations that caused a triggering of the safety valve.

ATTACHMENT 3A

- **Date: November 12, 2019**

- **City:** Versailles
- **Station:** R-1588
- **System #:** 32010004
- **Customer Outage Count:** 130
- **Causes:** Unknown.
- **Pressure Issue:** Unknown (no telemetry at the time of activation).
- **Actions Taken:** Inspection of ASV and regulator; no issues found.

- **Date: March 9, 2020**

- **City:** Cynthiana
- **Station:** R-1230
- **System #:** 32010165
- **Customer Outage Count:** 132
- **Causes:** Unknown.
- **Pressure Issue:** Unknown (no telemetry at the time of activation).
- **Actions Taken:** Major inspection by CKY M&R Technicians; no issues found.

- **Date: April 16, 2020**

- **City:** Raceland
- **Station:** R-1311
- **System #:** 32051024
- **Customer Outage Count:** 222
- **Causes:** Pressure charts indicated no abnormalities.
- **Pressure Issue:** Neither exceedance nor drop.
- **Actions Taken:** Inspection of ASV and regulator; no abnormalities found.

- **Date: June 4, 2020**

- **City:** Paris
- **Station:** R-1262
- **System #:** Abandoned
- **Customer Outage Count:** 56
- **Causes:** Activation of the automatic shutoff device.
- **Pressure Issue:** Exceedance.
- **Actions Taken:** Adjusted the low-pressure system serving customers.

- **Date: August 24, 2021**

- **City:** Frankfort
- **Station:** R-1515
- **System #:** 32010060
- **Customer Outage Count:** 8

- **Causes:** Plant crew making a leak repair approached the area.
 - **Pressure Issue:** Drop.
 - **Actions Taken:** Implemented changes based on review of actions.
- **Date: August 27, 2021**
 - **City:** Beauty
 - **Station:** R-1411
 - **System #:** 32026002
 - **Customer Outage Count:** 0
 - **Causes:** No notes; tech remembers bad ASV switch only.
 - **Pressure Issue:** Not specified.
 - **Actions Taken:** None recorded.
- **Date: January 29, 2023**
 - **City:** Winchester
 - **Station:** R-1634
 - **System #:** 32010011
 - **Customer Outage Count:** 0
 - **Causes:** Ice build-up.
 - **Pressure Issue:** Not specified.
 - **Actions Taken:** Removed ice from filters and thawed them.
- **Date: April 13, 2023**
 - **City:** Frankfort
 - **Station:** R-1505
 - **System #:** 32010196
 - **Customer Outage Count:** 0
 - **Causes:** Unknown.
 - **Pressure Issue:** Neither exceedance nor drop.
 - **Actions Taken:** Inspection of ASV and regulator; no abnormalities found.
- **Date: April 13, 2023**
 - **City:** Winchester
 - **Station:** R-1608
 - **System #:** 32010011
 - **Customer Outage Count:** 0
 - **Causes:** Unknown.
 - **Pressure Issue:** Neither exceedance nor drop.
 - **Actions Taken:** Inspection of ASV and regulator; no abnormalities found.

- **Date: June 14, 2023**

- **City:** Frankfort
- **Station:** R-1522
- **System #:** 32010056
- **Customer Outage Count:** 0
- **Causes:** Gas control called tech around 15:30 stating there was an issue.
- **Pressure Issue:** Neither exceedance nor drop.
- **Actions Taken:** Adjustments made after consulting with engineering.

- **Date: January 22, 2024**

- **City:** Catlettsburg
- **Station:** R-1357
- **System #:** 32051033
- **Customer Outage Count:** 84
- **Causes:** High set point drifted out of calibration.
- **Pressure Issue:** Neither exceedance nor drop.
- **Actions Taken:** Replaced PF regulator and ASV; sent them for analysis.

**ATTACHMENT
3b IS AN EXCEL
SPREADSHEET
AND UPLOADED
SEPARATELY**

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

4. Refer to Ayers Direct Testimony, page 6, line 15.
 - a. Provide the name and coverage area for all locating vendors currently contracted with Columbia Kentucky to respond to locate requests on behalf of Columbia Kentucky.
 - b. Provide the current technology being utilized by field employees, contractors, and subcontractors to locate underground facilities for Columbia Kentucky that will be replaced if approved by the Field Mobility program.

Response:

- a. Columbia Gas of Kentucky utilizes one locate contractor. That contractor is GridHawk.
- b. Columbia utilizes different types of locating equipment including but not limited to 3M technology, Fisher 810's, and Pipe Horns. GridHawk primarily uses Vivax/Metrotech.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

5. Refer to Ayers Direct Testimony page 8, line 3, entitled Threat 8, Excavation Damage (Unmarked Stubs).
- a. Provide an explanation of the procedure that occurs when an unmarked stub is damaged to prevent a reoccurrence of such damage.
- b. Provide information regarding attempts being made by Columbia Kentucky to accurately map and make stubs locatable on the Columbia Kentucky system.
- c. Provide the number of incidents of damage involving an unmarked stub for the last three calendar years.

Response:

- a. When an unmarked stub is damaged, a plant crew will respond and make safe. Any damage will then be repaired. If possible, the crew will shorten the stub to be within 18" of the main. If the stub can not be shortened to within 18" of the main, electronic marker balls will be installed over the top of the stub to make the stub easier to locate.

- b. Please refer to a. above. When abandoning a service line, the crew will disconnect the service line as close to the main as possible. If the stub exceeds 18" from the main, electronic marker balls will be installed.
- c. Columbia has experienced no damages involving unmarked stubs in the last three years.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

6. Refer to Ayers Direct Testimony at page 8, line 11.
 - a. Provide a detailed explanation of Columbia Kentucky's routine leak repair process and mitigation methods.
 - b. Provide an explanation of why Columbia Kentucky's system has experienced a fairly consistent level of leakage over the last ten years.

Response:

- a. The following process is utilized for routine leak repair:
 - Ensure that work zone is correctly set up;
 - Ensure all company facilities are located and/or identified;
 - If a main is being repaired and are considering taking the pipeline out of service or pressure is to be lowered, consult with the Engineering department;
 - Position a fire extinguisher upwind of the excavation site prior to beginning excavation;

- Expose the pipe and evaluate its condition and joint type to determine if it can be repaired;
 - If it cannot be repaired, make the site safe and inform leader
- Determine the repair method;
- If the pipe operates above 100 psig, visually inspect the repair pipe and components prior to installation to ensure appropriate design, application, proper marking, and that no damage can be determined that could impair serviceability;
- Take all required safety precautions, including wearing the required PPE;
- Perform an appropriate leak repair and follow manufacturer instructions for the applicable fitting installed;
 - While performing, continue to evaluate the condition of the pipe to determine whether replacement, rather than repair is needed;
 - Continuously evaluate changing site condition and address any potential sources of ignition
- Evaluate the completed repair;
 - This should also include checking for additional leaks and verifying that all leakage has been eliminated
- Complete documentation and/or work order for leak repair

b. The amount of bare steel pipe in Columbia's systems is reduced as we do main line and service line replacement projects, but we are identifying a consistent number of leaks year over year. This is likely due to bare steel mains and services deteriorating at a quicker rate over time.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

7. Refer to Ayers Direct Testimony at page 14, line 14-15.
 - a. Explain how the Picarro Surveyor pilot program specifically has helped prepare Columbia Kentucky for the potential requirements of the Leak, Detection, and Repair (LDAR) Rule.
 - b. Provide an explanation of any anticipated changes that may be required to the Picarro Surveyor pilot program when the LDAR Rule is released.

Response:

OBJECTION: To the extent this request seeks legal opinions, Columbia objects.

Notwithstanding and without waiving, Columbia responds:

- a. and b. Please refer to PHMSA's proposed creation of 49 CFR 192.763, governing Advanced Leak Detection Programs, as explained in its May 18, 2023 Notice of Proposed Rulemaking.¹ The Advanced Leak Detection equipment utilized by the Picarro pilot is a

¹ 88 FR 31890, 31962-31963

means to comply with these coming requirements. As these have not been finalized, Columbia is unable to state with certainty what will or will not be required. However, Columbia's pilot has created familiarity with this technology for its personnel.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

8. Refer to the Direct Testimony of Vincent V. Rea (Rea Direct Testimony).

Provide all work papers in electronic form, unprotected with formulas visible and accessible.

Response:

Please see KY PSC Case No. 2024-00092, Staff 2-08, Attachments A through Attachment H, which can be further identified as follows.

- Staff 2-08, Attachment A - (Attachments VVR-2, VVR-5 and VVR-6 to Mr. Rea's testimony).
- Staff 2-08, Attachment B - (Attachments VVR-3 and VVR-10 to Mr. Rea's testimony).
- Staff 2-08, Attachment C - (Attachment VVR-4 to Mr. Rea's testimony).
- Staff 2-08, Attachment D - (Attachment VVR-7 to Mr. Rea's testimony).
- Staff 2-08, Attachment E - (Attachment VVR-8 to Mr. Rea's testimony).
- Staff 2-08, Attachment F - (Attachment VVR-9 to Mr. Rea's testimony).
- Staff 2-08, Attachment G - (Attachment VVR-11 to Mr. Rea's testimony).
- Staff 2-08, Attachment H - (Attachment VVR-12 to Mr. Rea's testimony).

**ATTACHMENTS
8A through 8H
ARE EXCEL
SPREADSHEETS
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
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9. Refer to the Rea Direct Testimony, page 7, lines 1-13. Explain the rationale for keeping a company in the proxy group if it produces either high or low outlier results in the Discounted Cash Flow (DCF) model.

Response:

For each company included in the respective proxy groups, Mr. Rea evaluates multiple sources of data inputs that are incorporated into his discounted cash flow (DCF) analyses. For example, Mr. Rea evaluates growth rate estimates that are disseminated by Yahoo Finance, Zacks and Value Line for purposes of implementing the DCF model analyses. These growth rate estimates can vary significantly between the aforementioned data sources, and to the extent that a small subset of these growth rate inputs produce cost of equity estimates that do not pass basic tests of reasonableness and economic logic, it is both reasonable and prudent to reject these individual estimates, rather than totally eliminating the company from the proxy group.

This is particularly the case due to the declining number of gas utility holding companies witnessed in recent years due to increased merger and acquisition activity in the utility industry. These circumstances have made it increasingly difficult to assemble a representative gas proxy group for purposes of gas base rate proceedings. Therefore, to the extent that growth rate inputs from other data sources produce reasonable estimates of a utility's cost of equity, they should be included, since, by definition, a greater number of cost of equity estimates enhances the statistical reliability of the overall evaluation.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

10. Refer to the Rea Direct Testimony, page 14, lines 13-18 and page 15, line 1. For each of the five transportation customers, provide a table showing the distance from each customer to the nearest interstate pipeline that could, in a practical sense, be economically utilized for "by-pass."

Response:

Please refer to the table below. However, Columbia notes that Witness Rea's testimony states:

"Moreover, approximately 66.2 percent of Columbia's gas throughput to transportation customers is concentrated among just five customers, which exposes Columbia to a higher level of business risk. Additionally, Columbia's significantly higher allocation of gas throughput to industrial and transportation customers, as well as the Company's high customer concentration level, also causes the Company to be more vulnerable to the threat of bypass."

As used in this paragraph, "bypass" should not be limited to the traditional definition relating to receiving natural gas from an interstate pipeline directly. In today's world of varied options for energy supply decision-making and the innovations that empower these decisions, "bypass" can have a more expansive meaning.

Customer	Distance (miles)
Customer A	~17 miles
Customer B	~30 miles
Customer C	~3.5 miles
Customer D	0 miles (MLDS customer)
Customer E	0 miles (MLDS customer)

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

11. Refer to the Rea Direct Testimony, page 25, lines 1-18 and page 27, lines 1-4. Provide the most recent Value Line Investment Survey (Value Line) profiles on each of the companies in the Gas LDC Group. Include in the response Value Line assessment of the Natural Gas Utility industry that accompanies the individual company profiles. Consider this as an ongoing request throughout the course of this proceeding and provide updates as they become available.

Response:

Please see CONFIDENTIAL KY PSC Case No. 2024-00092, Staff 2-11, Attachment A for the requested information.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

12. Refer to the Rea Direct Testimony, page 28, lines 1-19 and page 29, lines 1-2. Provide the credit ratings reports for Columbia Kentucky and for NiSource from S&P and Moody's for 2023 to the present. Consider this an ongoing request throughout the course of this proceeding and provide updates as they become available.

Response:

Columbia is not rated by S&P and Moody's. Please see CONFIDENTIAL KY PSC Case No. 2024-00092, Staff 2-12, Attachment A for credit ratings reports for NiSource from S&P and Moody's for 2023 to present.

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RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

13. Refer to the Rea Direct Testimony, page 36, lines 5-8. Explain why it is more appropriate to consider combination gas and electric utility companies as opposed to including water distribution utilities as a useful adjunctive analysis.

Response:

In conducting his cost of capital evaluation, Mr. Rea's objective was to identify and select proxy group companies that most closely reflected the operating characteristics of Columbia, which is solely a gas distribution utility. With respect to the Combination Utility Group referenced by Mr. Rea (which is comprised of nine combination gas and electric utility holding companies) it should be noted that, on average, approximately 30 percent of the consolidated revenues of these holding companies are attributable to gas utility operations. For this reason, the Combination Utility Group is a suitable complementary proxy group for purposes of the instant proceeding, since it reflects substantial gas distribution operations. In contrast, of the six water utility holding companies for which Value Line conducts investment research, only one of these holding companies, Essential Utilities (formerly Aqua America, Inc.), owns and operates a gas

utility subsidiary. For this reason, relying upon a proxy group of combination gas and electric utilities (as a complementary proxy group to the Gas LDC Group) provides a significantly better representation of Columbia's utility operations as compared to a proxy group of water utilities.

Moreover, the U.S. financial markets provide clear evidence that gas and electric utility companies are presently valued differently than water utilities. Staff 2-13 Attachment A, provided as an Excel file, demonstrates that the relative valuation metrics (including the price-earnings (P/E) ratio and market-to-book (M/B) ratio) for water utilities are significantly higher than the same valuation metrics for gas and electric utility companies. As can be seen in Staff 2-13 Attachment A, the financial markets ascribe average price-earnings (P/E) ratios of 15.3x for the Gas LDC Group and 16.1x for the Combination Utility Group which are *closely comparable*. In stark contrast, the financial markets ascribe an average P/E ratio of 21.0x for the six water utility holding companies followed by Value Line, which indicates that water utilities presently have relative valuations that are approximately 30%-37% higher than the relative valuations of gas and electric utility companies.

As also reflected in Staff 2-13 Attachment A, the financial markets ascribe average market-to-book (M/B) ratios of 1.67x for the Gas LDC Group and 1.63x for the Combination Utility Group, which again, are *closely comparable*. In clear contrast, the financial markets ascribe an average M/B ratio of 2.15x for the six water utility holding

companies followed by Value Line, which once again indicates that water utilities presently have relative valuations that are approximately 30% higher than the relative valuations of gas and electric utility companies.

In view of the general inverse relationship between stock trading valuations and the cost of equity, this data strongly suggests that referencing a proxy group of water utilities for purposes of a gas utility rate proceeding would incorrectly specify the analytical results derived from the financial models, as the higher relative valuations of water utilities would fully be expected to produce lower cost of equity estimates as compared to gas and electric utilities. For the above-stated reasons, referencing a complementary proxy group of gas and electric utilities is clearly a superior approach as compared to evaluating water utilities, for purposes of a gas utility rate proceeding. Again, this is made clear by the fact that the U.S. financial markets currently value water utilities very differently than gas and electric utilities. Accordingly, in the interest of cost-efficiency, the analyst's time, efforts and resources should be dedicated to selecting and evaluating proxy group companies that the financial markets deem to be the most closely correlated to gas utility companies with regard to relative trading valuations and therefore the cost of equity.

**ATTACHMENTS
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

14. Refer to the Rea Direct Testimony, page 37, lines 9-17. Provide copies of the documentation supporting the discussion of the relative awarded return on equity of gas and combination gas and electric utilities.

Response:

Please see KY PSC Case No. 2024-00092, Staff 2-14, Attachment A provided separately as an Excel file, KY PSC Case No. 2024-00092, Staff 2-14, Attachment B and CONFIDENTIAL KY PSC Case No. 2024-00092, Staff 2-14, Attachment C.

**ATTACHMENT
14A IS EXCEL
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SEPARATELY**

ATTACHMENT 14B

**Society of Utility and
Regulatory Financial Analysts**



**THE COST OF CAPITAL –
A PRACTITIONER’S GUIDE**

BY

DAVID C. PARCELL

**PREPARED FOR THE SOCIETY OF UTILITY
AND REGULATORY FINANCIAL ANALYSTS
(SURFA)**

2020 EDITION

Author’s Note: This manual has been prepared as an educational reference on cost of capital concepts. Its purpose is to describe a broad array of cost of capital models and techniques. No cost of equity model or other concept is recommended or emphasized, nor is any procedure for employing any model recommended. Furthermore, no opinions or preferences are expressed by either the author or the Society of Utility and Regulatory Financial Analysts.

Commission Decisions

In concluding this introduction section, it is instructive to consider what returns on equity have been authorized by U.S. regulatory commissions. Table 2 summarizes the annual average returns on equity authorized by regulatory commissions for each year 1980 to 2018 by Regulatory Research Associates (Regulatory Focus).

**TABLE 2
AUTHORIZED RETURNS ON EQUITY**

Year	Electric Utilities		Gas Utilities	
	ROE %	# Cases	ROE %	# Cases
1980	14.23%	104	14.05%	57
1981	15.22%	123	15.11%	60
1982	15.78%	125	15.62%	83
1983	15.36%	95	15.25%	65
1984	15.32%	75	15.31%	39
1985	15.20%	58	14.75%	34
1986	13.93%	49	13.46%	25
1987	12.99%	57	12.74%	29
1988	12.79%	33	12.85%	31
1989	12.97%	27	12.88%	31
1990	12.70%	44	12.67%	31
1991	12.55%	45	12.46%	35
1992	12.09%	48	12.01%	29
1993	11.41%	32	11.35%	45
1994	11.34%	31	11.35%	28
1995	11.55%	33	11.43%	16
1996	11.39%	22	11.19%	20
1997	11.40%	11	11.29%	13
1998	11.66%	10	11.51%	10
1999	10.77%	20	10.66%	9
2000	11.43%	12	11.39%	12
2001	11.09%	18	10.95%	7
2002	11.16%	22	11.03%	21
2003	10.97%	22	10.99%	25
2004	10.75%	19	10.59%	20
2005	10.54%	29	10.46%	26
2006	10.32%	26	10.40%	15
2007	10.30%	38	10.22%	35
2008	10.41%	37	10.39%	32
2009	10.52%	40	10.22%	30
2010	10.37%	61	10.15%	39
2011	10.29%	42	9.92%	16
2012	10.17%	58	-9.94%	35
2013	10.03%	49	9.68%	21
2014	9.91%	38	9.78%	26
2015	9.85%	30	9.60%	16
2016	9.77%	42	9.54%	26
2017	9.74%	53	9.60%	24
2018	9.59%	48	9.60%	41

Attachment 14C

ATTACHMENT 14C
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

15. Refer to the Rea Direct Testimony, page 39, lines 1-12. Provide the most recent Value Line profiles on each of the companies in the Combination Utility Group. Include in the response Value Line assessment of the Electric Utility industry that accompanies the individual company profiles. Consider this as an ongoing request throughout the course of this proceeding and provide updates as they become available.

Response:

Please see CONFIDENTIAL KY PSC Case No. 2024-00092, Staff 2-15, Attachment A for the requested information.

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16. Refer to the Rea Direct Testimony, page 42, lines 8-9. Explain whether, to Columbia Kentucky's knowledge, this Commission has ever accepted non-regulated companies as a proxy group in a Columbia Kentucky rate case.

Response:

Mr. Rea is not aware of any past Columbia Gas of Kentucky rate proceedings where the Commission explicitly accepted the use of non-rate-regulated companies within a proxy group. However, in accordance with the regulatory compact and established ratemaking principles, utility regulation is widely-accepted to be a substitute for market competition. For this reason, including an evaluation of non-rate-regulated utilities provides useful perspective as to the competitive marketplace return requirements for companies that are risk-comparable to regulated utility companies.

Although Mr. Rea is not aware of any previous rate proceedings where the Commission *explicitly* accepted the use of non-rate-regulated proxy groups, this does not necessarily indicate that the cost of equity estimates yielded from evaluating non-rate-regulated

proxy companies were not to some degree factored into the final ROE decisions in these proceedings. For example, in Columbia's 2021 gas rate proceeding, the Commission's final order stated the following:

The Commission will afford most weight to DCF and CAPM analyses based upon regulated company proxy groups.¹

By inference, since the Commission elected to afford the "most weight" to the analyses based on regulated proxy groups in Columbia's 2021 proceeding, this suggests that the Commission placed at least some weight on the analyses that were based on the non-regulated proxy group evaluated by Mr. Rea. Other examples would be cases where the Commission's final order was silent on the matter of the use of non-rate-regulated proxy groups, particularly in settled rate proceedings.

¹ Order, Kentucky Public Service Commission, Columbia Gas of Kentucky, Inc. (Case No. 2021-00183), at 33-34.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

17. Refer to the Rea Direct Testimony, page 51, lines 13-17 and page 52, lines 1-12. Confirm that because the Safety Modification and Replacement Program Rider (SMRP) has a balancing adjustment that adjusts cost recovery for misalignments between billings and collections, costs are recovered through the mechanism on a more accurate and timely basis versus through base rates.

Response:

Columbia confirms that the SMRP is reviewed by Commission Staff on an annual basis. Prior to Columbia's last rate case, Columbia was permitted to recover misalignments between forecasted and actual SMRP Costs. However, as explained on pages 12 and 13 of the Direct Testimony of Columbia Witness Cooper, the post-rate case treatment of the SMRP Rider changed unexpectedly in Case No. 2022-00342. The uncertainty associated with this change diminished the more accurate and timely basis of cost recovery through the rider.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

18. Refer to the Rea Direct Testimony, Table VVR-7 page 69 and Table VVR- 8 page 71, as well as Attachments VVR-7 and VVR-8.

a. Provide an update to the calculations with the addition of dividend growth rates.

b. Referring to Attachment VVR-7 page 5 and Attachment VVR-8 page 5, explain how and where in the calculations BVPS growth rates are used.

Response:

a. The requested information is provided in KY PSC Case No. 2024-00092 Staff 2-18 Attachment A, Staff 2-18 Attachment B and Staff 2-18 Attachment C. Please also see Mr. Rea's discussion regarding the use of dividend-per-share (DPS) growth rates in the DCF model in part (b) of this response.

b. The most relevant measure of growth for purposes of the DCF model is the growth rate that investors actually expect, and therefore factor into their investment decisions.

Contrary to the assumption that is often made that investors place substantial emphasis on book-value-per-share (BVPS) and dividends-per-share (DPS) and growth estimates, a substantial body of empirical evidence indicates otherwise. In fact, the finance literature¹ has demonstrated that it is actually the earnings estimates of "sell-side" equity analysts that exert a significant influence over stock prices, and therefore on the return expectations of investors. This was further demonstrated in a widely-referenced article published in the *Financial Analysts Journal* which surveyed professional investment analysts, and which determined that neither dividend growth estimates nor book value growth estimates are heavily referenced by investment analysts, strongly suggesting that investors place very little emphasis upon them as well. Indeed, the article concluded: *"Earnings and cash flow are considered far more important than book value and dividends."*²

Moreover, very few, if any, of the sell-side equity analysts that work for the major U.S. banks and brokerage firms disseminate BVPS or DPS growth estimates to their investor clients. Lastly, neither BVPS or DPS growth measures are reported by the major investment information consolidators, such as Thomson-Reuters, Yahoo Finance, and Zacks. Notably, if investors actually referenced BVPS and/or DPS growth measures in any significant way, the major U.S. banks and brokerage firms and major investment

¹ See, Bente Villadsen, Michael J. Vilbert, Dan Harris and A. Lawrence Kolbe, *Risk and Return for Regulated Industries*, Academic Press, Elsevier, Inc. (2017), at 99; Roger A. Morin, *Modern Regulatory Finance* (PUR Books, LLC, 2021), at 371-372.

² Stanley B. Block, "A Study of Financial Analysts; Practice and Theory", *Financial Analysts Journal*, (July-August, 1999), at 88.

information consolidators would widely disseminate these growth measures to their clients and customers, but as noted earlier, they simply do not.

Therefore, although Attachment VVR-7 (p. 5) and Attachment VVR-8 (p. 5) present the BVPS growth measures reported by Value Line in the interest of completeness, and to also provide a reasonableness check on Mr. Rea's DCF estimates of the cost equity, the BVPS growth estimates are not directly incorporated into Mr. Rea's DCF estimates for the reasons outlined above.

ATTACHMENT 18A

Table VVR-7- Revised DCF Estimates - Gas LDC Group	
Calculation Method	Cost of Equity
Earnings Forecast	
Yahoo Finance	10.10%
Zacks	10.00%
Value Line	10.30%
Dividends Forecast	
Value Line	9.00%
Historical Earnings Growth Rate	9.90%
Historical Dividends Growth Rate	10.30%
Unadjusted DCF Estimate	9.95%
Flotation Cost Adjustment (4 basis points)	x 1.0042%
Subtotal	9.99%
Plus: Market Value-Book Value Financial Risk Adjustment*	0.30%
Indicated DCF Estimate	= 10.29%

Table VVR-8 - Revised DCF Estimates Combination Utility Group	
Calculation Method	Cost of Equity
Earnings Forecast	
Yahoo Finance	9.80%
Zacks	10.00%
Value Line	9.50%
Dividends Forecast	
Value Line	9.00%
Historical Earnings Growth Rate	10.00%
Historical Dividends Growth Rate	10.70%
Unadjusted DCF Estimate	9.80%
Flotation Cost Adjustment (4 basis points)	x 1.0042%
Subtotal	9.84%
Plus: Market Value-Book Value Financial Risk Adjustment*	0.30%
Indicated DCF Estimate	= 10.14%

**ATTACHMENTS
18B and 18C
ARE EXCEL
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
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19. Refer to the Rea Direct Testimony, page 77, lines 11-21 and page 78, lines 1-13. Explain why the S&P 500 index and the much broader Value Line 1,700 Stock Universe are both used in the DCF Market Return analysis and not simply the latter since it is the broader index. Include in the explanation why it would not be more appropriate to solely rely on the Value Line 1,700 Stock Universe.

Response:

In developing an estimate of the expected market return and expected market risk premium, Mr. Rea first evaluated the S&P 500 Index, as it is a generally accepted proxy¹ for estimating the overall market return for purposes of the CAPM. In implementing his CAPM analysis, Mr. Rea first referenced the S&P 500 Index for purposes of conducting a DCF analysis on the market index to estimate the expected market return going forward. Specifically, Mr. Rea's DCF analysis evaluated the expected dividend yield and expected

¹ *See*, D. Parcell, *The Cost of Capital – A Practitioner's Guide*, Society of Utility and Regulatory Financial Analysts (2010), at 106; R. Morin, *New Regulatory Finance*, Public Utilities Reports, Inc. 2006, at 119 and 159; and FERC Opinion 569-B, *Association of Businesses Advocating Tariff Equity et al., v. Midcontinent Independent System Operator et al.*, 173 FERC ¶ 61,159, Docket No. EL14-12-015, at P21.

constant growth rate assumption for the S&P 500 Index for purposes of estimating the overall market return in the CAPM.

In order to ensure a balanced analysis, Mr. Rea also elected to estimate the expected market return and expected market premium on the basis of relative valuation data for the U.S. equity market, rather than relying exclusively upon the DCF approach noted above. Under this relative valuation approach, Mr. Rea evaluated the Value Line estimated median price appreciation potential over a 3-year - 5-year horizon for the Value Line universe of 1,700 stocks, which accounts for approximately 90% of the market capitalization of all stocks traded on the U.S. stock exchanges. Accordingly, the approach that Mr. Rea employed with regard to evaluating these two market indices was not specifically focused on the exact size of the respective indices, but rather was focused on the *underlying methodology* employed in deriving the market risk premium. This is the case because referencing the S&P 500 Index supported Mr. Rea's constant growth DCF approach to estimating the market return, while referencing the Value Line 1,700 stock universe supported Mr. Rea's relative valuation approach to estimating the expected market return. Utilizing both approaches ensures a higher degree of confidence in the estimates of the market risk premium yielded from Mr. Rea's CAPM analyses.

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20. Refer to the Rea Direct Testimony, page 80, lines 1-20.
- a. Provide the support for and explain how the 4.21 percent for the prospective risk-free rate of return was calculated.
- b. Explain why real time bond market rates for 30-year Treasuries necessarily encompass investors' expectations of the future. Explain further why current 30-year Treasury are not appropriate for use as the risk-free rate in the CAPM model calculations.

Response:

- a. Please see CONFIDENTIAL KY PSC Case No. 2024-00092 Staff 2-20 Attachment A, which provides the supporting information for the 4.21 percent prospective risk-free rate of return. As reflected in Staff 2-20 Attachment A, the 4.21 percent prospective risk-free rate of return was calculated as the annual average of the forecasted 30-year U.S. Treasury bond yield for the period 2024-2028 as reported by the Blue Chip Financial Forecasts. This is further outlined in Attachment VVR-11 to Mr. Rea's direct testimony and footnote #8 therein.

b. The CAPM is a forward-looking ex-ante model which requires expectational inputs, including the expected risk-free rate of return. While in theory, spot interest rates would be expected to reflect investor expectations going forward, the U.S. bond markets may not always accurately reflect the future path and impact of certain factors, such as governmental interventions, and particularly monetary policy and fiscal policy actions. As a result of these governmental interventions, U.S. Treasury security yields have been quite volatile in recent years, thus suggesting that investor expectations for the future direction of interest rates have also been quite volatile.

As further evidence of this, it is important to recognize that the Federal Reserve Board's unprecedented monetary policy interventions in recent years, and in particular, the Fed's quantitative easing programs, have had the effect of putting significant *downward pressure* on intermediate and long-term U.S. Treasury security yields. In fact, the Fed's economists have previously stated that intermediate-term Treasury security yields would have been as much as *100 basis points higher* if the Fed had not implemented its quantitative easing programs in recent years¹.

¹ Bonis, Brian, Jane Ihrig, and Min Wei (2017). "The Effect of the Federal Reserve's Securities Holdings on Longer-Term Interest Rates," FEDS Notes. Washington: Board of Governors of the Federal Reserve System, April 20, 2017, <https://doi.org/10.17016/2380-7172.1977>.

Most recently, beginning during March 2022, the Federal Reserve Board reversed course with regard to its quantitative easing policy actions, and has since been gradually liquidating its portfolio of U.S. Treasury and mortgage-backed securities (a policy referred to as quantitative tightening), which is now expected to put *upward pressure* on intermediate and long-term interest rates going forward.

Therefore, consistent with the aforementioned statements made by the Fed's economists, and as a result of the Fed's recent monetary policy interventions (previously quantitative easing and now quantitative tightening), Treasury security yields have not reflected normal supply and demand dynamics in recent years in the U.S. capital markets. This further explains why spot interest rates do not represent an appropriate input for use in the CAPM, which again, requires expectational inputs.

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21. Refer to the Rea Direct Testimony, page 81, lines 1-4. Provide the support for and explain how the 11.53 percent for the prospective market rate of return was calculated.

Response:

The requested supporting information is provided in CONFIDENTIAL KY PSC Case No. 2024-00092, Staff 2-21, Attachment A ("Attachment A"). Pages 1-13 of Attachment A provides the supporting information used to derive the prospective market rate of return under the S&P 500 methodology (12.51%), while pages 14-26 of Attachment A provides the supporting information used to derive the prospective market rate of return under the Value Line 1,700 stock universe methodology (10.55%). Mr. Rea referenced the average of these two values to determine the 11.53 percent prospective market rate of return employed in his CAPM analyses. Please also see pages 77-78 of Mr. Rea's direct testimony and pages 1-2 of Attachment VVR-11 (and footnotes 1-7) for additional supporting details as to how the 11.53 percent prospective market return was derived.

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22. Refer to the Rea Direct Testimony page 82, lines 1-5. Explain whether any state regulatory commission has accepted the use of re-leveled beta values in the CAPM calculations for a regulated NiSource affiliate.

Response:

Mr. Rea's CAPM beta adjustment methodology (Hamada method adjustment) is based upon the same financial concepts advanced by Modigliani and Miller ("M&M"), which established the relationship between the level of financial leverage in a firm's capital structure and its corresponding cost of equity. The Pennsylvania Public Utility Commission has accepted the M&M form of this same type financial risk adjustment on multiple occasions in past Columbia Gas of Pennsylvania (a NiSource affiliate) rate proceedings, including, but not limited to, the following rate proceedings listed below:

- PPL Gas Utilities Corp. - Case No. R-00061398
- PPL Electric Utilities Corp. - Case No. R-00049255
- Aqua Pennsylvania - Case No. R-00038805

- Pennsylvania-American Water Co.- Case No. R-00038304
- Philadelphia Suburban Water Co. - Case No. R-00016750

Although the Hamada beta adjustment method was developed using the very same financial concepts used in the M&M leverage adjustment method, Mr. Rea is not aware of any state regulatory commission decisions involving a NiSource utility subsidiary that *explicitly* states that the commission adopted the form of re-levered beta adjustment proposed by Mr. Rea. However, this does not necessarily indicate that in those instances when re-levered beta adjustments were previously proposed in NiSource utility proceedings, that they did not to some degree influence the final ROE decisions in these proceedings. This is the case because in many instances the commission's final order was silent on the matter of the proposed re-levered beta adjustment, particularly in settled proceedings.

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23. Refer to the Direct Testimony of Greg Skinner (Skinner Direct Testimony) at 5. Explain how NiSource's plans to replace information technology (IT) systems, specifically, the One Customer Information system, will affect Columbia Kentucky's Choice Program. Explain whether any of these IT upgrades will improve Columbia Kentucky's record keeping for the Choice Program.

Response:

The One Customer Information system transformation program has not started and therefore the specific benefits of the program have not been defined. A planning phase will proceed the start of this program to align on benefits and cost to achieve when the program commences.

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24. Refer to the Skinner Direct Testimony at 5. Explain whether NiSource's plans to replace IT systems will affect customer billing. If so, explain any possible effects, including any down time where customers will not be billed.

Response:

The plan to replace IT systems related to the WAM program will not affect customer billing. The One Customer Information system transformation program has not started and therefore the specific benefits of the program have not been defined. A planning phase will proceed the start of this program to align on benefits and cost to achieve when the program commences.

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25. Refer to the Direct Testimony of Kevin Johnson, page 17.
- a. Explain why Columbia Kentucky is not including in its proposed rate base cash working capital based on its Lead Lag study or using the 1/8th Operations and Maintenance expense method.
- b. Explain why the results of the two methods to calculate cash working capital vary significantly.
- c. Explain whether Columbia Kentucky contends that including an adjustment to CWC based on the lead lag method would be reasonable.

Response:

- a. There are several methods for computing cash working capital ("CWC"). The Company provided two of the methods, the Lead Lag study (see Rate Base Schedule 5.2A) and the 1/8 O&M Expense (formula approach) (see Rate Base Schedule 5.2B) in its filing. For the Forecasted Test Period, the Company's Lead Lag study resulted in a calculated CWC of \$(9,746,343). The 1/8 O&M Expense (formula approach)

calculation produced a result of \$6,608,321. On page 243 in his book, *Principles of Public Utility Rates, Second Edition*, James C. Bonbright states, "None of the methods for calculating the working capital allowance produce a result that is precisely correct." As noted above, the results of the calculated CWC requirement varies significantly depending on the method used to determine CWC. Since the 1/8 O&M Expense (formula approach) was accepted by the Commission prior to the 2021 Rate Case, and with the results of the two CWC methods varying significantly (\$9,746,343 vs. \$6,608,321), the Company did not incorporate the results of either method and is not making a CWC adjustment.

- b. The Lead Lag study is a more complex calculation that looked at the 12 months ending December 31, 2023, and measured the average length of time between the utility service and the receipt of payment (Revenue Lag) and compared this to the average length of time between the point at which Columbia incurred a service and the date upon which cash payments were made (Expense Lead). The 1/8 O&M Expense (formula approach) CWC method is a less complex calculation and is calculated by taking 1/8 of forecasted O&M Expenses. As noted in the response to a. above, the results of each CWC calculation method produce varying results.
- c. Columbia believes not making a CWC adjustment is the most reasonable approach. However, Columbia believes it has accurately calculated a CWC requirement using both the Lead Lag study and 1/8 O&M Expenses (formula approach) methods.

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26. Refer to the Direct Testimony of Dave Roy, pages 632-645.
- a. Refer to page 9, line 11. Provide the number of Grade 1 leaks found on Columbia Kentucky's plastic pipe system and the number of leaks per mile for the plastic pipe system for the past three years.
- b. Provide the leak data for non-protected bare steel mains and services for the past three years.
- c. Provide the number of Grade 1 leaks found on the Columbia Kentucky bare steel pipe system and the number of leaks per mile for the bare steel pipe system for the past three calendar years.
- d. Provide the detailed replacement plan for unprotected bare steel pipe.

Response:

a., b., c.

	2021	2022	2023
Grade 1 leaks on plastic	207	179	204
Grade 1 leaks / mile of plastic main	0.14	0.12	0.13
Leaks (all grades) / mile of plastic main	0.29	0.25	0.34
Grade 1 leaks on 1 st generation plastic	87	66	94
1 st gen grade 1 leaks / mile of plastic main	0.31	0.24	0.34
1 st gen leaks (all grades) / mile of plastic main	0.96	0.75	1.05
Grade 1 leaks on non-protected bare steel main	51	33	30
All leaks on non-protected bare steel main	185	191	183
Grade 1 leaks on non-protected bare steel services	168	160	158
All leaks on non-protected bare steel services	463	344	465
Grade 1 leaks on bare steel	224	196	189
Grade 1 leaks / mile of bare steel main	0.72	0.66	0.67
Leaks (all grades) / mile of bare steel main	2.12	1.82	2.24

d.

Current PP Remaining Miles	Target Year	Current Path	Miles of Pipe retired each year
282.6	2037	2043	14.13

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27. Refer to Columbia Kentucky's Application, Volume 4, Tab 36. Explain whether the provided capital budget includes amounts from Columbia Kentucky's SMRP. If so, provide the amounts and categories of the SMRP spending for each year.

Response:

The SMRP capital budget is included in the information provided in the Application, Volume 4, Tab 36. The \$40,243,000 and \$35,656,000 capital budgets in calendar years 2024 and 2025 respectively, identified in Line 2 – Age & Condition reflect the SMRP capital investments included within the Schedule B – Rate Base.

As explained in the testimony of Jeffery Gore, the SMRP amounts are detailed separately in the B Schedules but removed for determination of rate base used in the revenue requirement in this case. The SMRP investment is proposed to remain in the rider rate and not roll into base rates.

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28. Refer to Columbia Kentucky's Application, Volume 4, Tab 36 and the Direct Testimony of Skinner, page 5. Explain whether the Work and Asset Management (WAM) Program is included in Columbia Kentucky's capital budget. If so, provide the amounts and categories of the WAM spending for each year.

Response:

The WAM program expenditures are included in the information provided in the Application, Volume 4, Tab 36. The WAM program spend is included as part of the information detailed in Line 4 – Information Technology.

Please refer to the testimony of Jeffery Gore for details about the WAM program spend for years 2024 and 2025 as well as costs incurred prior to 2024.

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29. Refer to Columbia Kentucky's Application, Volume 8, Tab 79, Schedule A. Explain why Columbia Kentucky has applied the gross revenue conversion factor to the revenue deficiency.

Response:

As referenced in Schedule A and explained in the Direct Testimony of Columbia Witness Shaeffer at Page 17, "Schedule H details the factor used to determine the incremental revenue required to cover income taxes, uncollectible expense, and PSC fees when a change is recommended to operating income." To elaborate, the Gross Revenue Conversion Factor is a multiplier used to convert after-tax operating income to the revenue requirement needed to generate that operating income. In other words, for Columbia to earn \$1.00 of operating income, the Commission must provide for \$1.339776 of revenue to be recovered through rates in order to account for the federal and Kentucky State income taxes, increase in uncollectible expense, and PSC fees the Company will incur on each \$1.00 of operating income. The Gross Revenue Conversion Factor uses the current statutory federal income tax rate of 21% and current Kentucky state income tax

rate of 5%. Per Page 15 of Witness Shaeffer's testimony, "Attachment TLS-1 (Workpaper D-2.6.D(2)) that details the calculation of the uncollectible provision rate of 0.417% used in the uncollectible expense adjustment. This attachment provides the uncollectible provisions for years 2017 through 2023. Note, years 2020 and 2021 uncollectible provisions were impacted due to the COVID-19 pandemic and have not been utilized in the calculation of the proposed normalized uncollectible provision rate. The normalized uncollectible provision rate utilizes a three-year average of the uncollectible provisions for years 2019, 2022 and 2023 are used to calculate the 0.417% proposed in this filing." The PSC Fee factor of 0.130200% represents the current annual assessment (2023 invoice) for the maintenance of the KY PSC for the period of July 1, 2023 through June 30, 2024.

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30. Refer to Columbia Kentucky's Application, Volume 8, Tab 82, Schedule D-1.A and Schedule D-1.B and the Skinner Direct Testimony at 17. For each of the following, explain why Columbia Kentucky is proposing an adjustment given that it results in a significantly different unadjusted and adjusted forecast period for each category:

- a. For Revenue from Transporting Gas to Others;
- b. Natural Gas Field & Transmission Line Purchases;
- c. Natural Gas City Gate Purchases;
- d. Other Gas Purchases;
- e. Gas Withdrawn / Delivered From / To Storage;
- f. Administrative and General Salaries;
- g. Outside Services Employed;
- h. Depreciation and Amortization Expense;

- i. Taxes Other Than Income Taxes – Property; and
- j. Regulatory Commission Expense.

Response:

a. Schedule D-1.A, Sheet 1, Line 12, BP adjustments to Account 489, Revenue from Transporting Gas to Others, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.1, Adjustment 2 (Wozniak): The purpose of this adjustment is to remove SMRP Rider Revenues from the company's per book actual Unadjusted BP (September 2023 to February 2024); Please refer to the Direct Testimony of Columbia Witness Cooper at Pages 11 thru 14 for explanation of Columbia's proposal regarding the SMRP Rider.
- Schedule D-2.3, Adjustment 2 (Wozniak): The purpose of this adjustment is to reflect the change in revenue at current rates due to the change in billing determinants from the Adjusted BP to the FTP. Please refer to the Direct Testimony of Columbia Witness Girata for explanation of the forecast methodology used to develop the forecasted number of customers and usage utilized in the development of BP and FTP revenues in Schedule M supported by the Direct Testimony of Columbia Witness Wozniak.

There are no adjustments to the FTP revenues in Schedule D-1.B, Line 12, Account 489-Revenue from Transporting Gas to Others as this reflects the company's normalized revenues per Schedule M.

b., c., d., e.

Schedule D-1.A, Sheet 1, Lines 19 through 25, present the BP adjustments to Gas Cost Expense Accounts (including Accounts 801-803, Natural Gas Field & Transmission Line Purchases; Account 804, Natural Gas City Gate Purchases; Account 805, Other Gas Purchases; and Account 808, Gas Withdrawn / Delivered From / To Storage) supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.3, Adjustment 3 (Wozniak): The purpose of this adjustment is to reflect the normalization of gas cost recoveries due to the change in BP to FTP volumes. Please refer to the Direct Testimony of Columbia Witness Girata for explanation of the forecast methodology used to develop the forecasted number of customers and usage utilized in the development of BP and FTP revenues in Schedule M supported by the Direct Testimony of Columbia Witness Wozniak. Allocation of forecasted BP (March 2024 to August 2024) and FTP Gas Cost Expense to FERC Accounts are based on actual 2023 calendar year experience ratios (for example, Account 801 Expense divided by Total Gas

Cost Expense Accounts for calendar 2023). The “adjustment”, or difference, between each of the BP to FTP Gas Cost Expense Accounts is the resulting net change in BP actual expense (September 2023 through February 2024) and normalized Schedule M BP forecasted revenue / expense as compared to the Schedule M FTP gas cost revenue / expense.

There are no adjustments to the FTP Gas Cost Expense Accounts as shown in Schedule D-1.B, Lines 19 through 25 as the FTP Gas Cost Expense represents the Gas Cost Revenues per Schedule M. As FTP Gas Cost Revenues are equal to Gas Cost Expenses, there is no impact to the revenue requirement from Gas Cost.

f. Schedule D-1.A, Sheet 2, Line 37, BP adjustments to Account 920, Administrative and General Salaries, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.4, Adjustments 1 and 11 (Inscho): The purpose of this “adjustment”, or difference between the Unadjusted BP and FTP is to reflect changes in (1) labor, short-term incentive compensation (“STI”), and long-term incentive (“LTI”), (2) labor charges to and from affiliates, and (3) changes in charges to the balance sheet (or gross costs transferred to the balance sheet to arrive at net Operations and Maintenance (“O&M”) expense), and for Columbia Direct and NiSource Corporate Services Company (“NCSC”)

allocated to Columbia. This adjustment captures changes in employee headcount, merit / wage increases, difference in STI paid for 2023 performance in February / March 2024 (actual BP) and current budgeted accruals for 2024 performance to be paid in 2025 (forecasted BP / FTP), and difference in the performance of LTI awarded / budgeted between the Unadjusted BP and FTP. Please refer to KY PSC Case No. 2024-00092 Staff 1-39 for support of the merit / wage increases supported by Columbia Witness Owens. Please refer to the Direct Testimony of Columbia Witness Owens for discussion of STI and LTI.

Schedule D-1.B, Sheet 2, Line 36, FTP adjustments to Account 920, Administrative and General Salaries, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.6, Adjustments 7.1, 7.2, 8.1, and 8.2 (Shaeffer): The purpose of the adjustments are to recognize, that in previous rate proceedings, the Commission has declined to permit recovery of certain expenses determined to be non-recoverable from customers, meaning the burden of such costs should be on shareholders. As explained in the Direct Testimony of Columbia Witness Shaeffer at Page 14 in describing Schedule D-2.6, “Adjustments 7.1, 7.2, 8.1, and 8.2 remove a 2025 level of expense based on identified non-recoverable items using 2023 actual data, adjusted for inflation, to arrive at a representative proxy included in the FTP budget”. Please refer to Workpaper

WPD-2.6.G (Columbia Direct) and Workpaper WPD-2.6.H (NCSC Allocated to Columbia) for detail of non-recoverable expenses removed from the FTP.

g. Schedule D-1.A, Sheet 2, Line 39, BP adjustments to Account 923, Outside Services Employed, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.4, Adjustment 5 (Inscho): Please refer to KY PSC Case No. 2024-00092, Staff 1-1, Part B for explanation of the company's continued cost savings initiatives described in detail with the goal of maintaining a flat level of O&M Expense.

Schedule D-1.B, Sheet 2, Line 38, FTP adjustments to Account 923, Outside Services Employed, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.6, Adjustments 7.1, 7.2, 8.1, and 8.2 (Shaeffer): The purpose of the adjustments are to recognize, that in previous rate proceedings, the Commission has declined to permit recovery of certain expenses determined to be non-recoverable from customers, meaning the burden of such costs should be on shareholders. As explained in the Direct Testimony of Columbia Witness Shaeffer at Page 14 in describing Schedule D-2.6, "Adjustments 7.1, 7.2, 8.1, and 8.2 remove a 2025 level of expense based on identified non-recoverable items using 2023 actual data, adjusted for inflation, to arrive at a

representative proxy included in the FTP budget.” Please refer to Workpaper WPD-2.6.G (Columbia Direct) and Workpaper WPD-2.6.H (NCSC Allocated to Columbia) for detail of non-recoverable expenses removed from the FTP.

h. Schedule D-1.A, Sheet 3, Line 9, BP adjustments to Accounts 403-404, Depreciation and Amortization Expense, are supported and described in the below Schedules as follows:

- Schedule D-2.2, Adjustment 2 (Inscho): Please refer to KY PSC Case No. 2024-00092, Staff 2-31 for explanation and breakdown of Schedule D-2.2, Adjustment 2 that quantifies the difference between the Unadjusted (budget) and Adjusted BP Depreciation and Amortization Expense due to (1) the removal of SMRP Rider-related investments, and (2) forecasted composite rate depreciation versus rate case Gas Plant Account depreciation.

Schedule D-1.B, Sheet 3, Line 9, FTP adjustments to Accounts 403-404, Depreciation and Amortization Expense, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.6, Adjustment 9 (Shaeffer): The purpose of this adjustment is to reflect an increase in Depreciation and Amortization Expense based on the FTP net plant balances, exclusive of 2023, 2024, and 2025 SMRP Rider-related investments, supported by Columbia Witness Gore and updated depreciation rates supported by Columbia Witness Spanos included in this rate proceeding.

Please refer to Workpaper WPD-2.6.I for the supporting calculation of the FTP Depreciation and Amortization Expense adjustment.

i. Schedule D-1.A, Sheet 3, Line 10, BP adjustments to Account 408, Taxes Other Than Income Taxes – Property, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.2, Adjustment 3 (Inscho): The purpose of this adjustment is to remove Property Tax Expense related to 2023 and 2024 SMRP Rider-related investments from the *total company* Unadjusted BP actual / forecasted Taxes Other Than Income – Property Taxes. Please refer to Workpaper WPD-2.2.A for calculation of the BP Property Tax Expense adjustment supported by Columbia Witness Harding.
- Schedule D-2.5, Adjustment 2 (Inscho): The purpose of this “adjustment”, or difference, is to reflect a level of Property Tax Expense based on net plant additions, exclusive of 2023, 2024, and 2025 SMRP Rider-related net plant investments, since the company’s last rate case and changes in taxable gas storage *between* the Adjusted BP and FTP as included in this proceeding, and to adjust for the current assessment values and effective tax rates supported by Columbia Witness Harding.

Schedule D-1.B, Sheet 3, Line 10, FTP adjustments to Accounts 408, Taxes Other Than Income Taxes – Property, are supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.6, Adjustment 10 (Shaeffer): The purpose of this adjustment is to reflect a level of Property Tax Expense based on net plant additions since the company's last rate case through the FTP and changes in taxable gas storage as included in this proceeding. As explained in the Direct Testimony of Columbia Witness Shaeffer at Page 14, "Adjustment 10 adjusts *total company* FTP budgeted Taxes Other Than Income – Property Taxes to remove 2023, 2024, and 2025 SMRP Rider-related expenses, and to adjust for the current assessment values and effective tax rates supported by Columbia Witness Harding." Please refer to Workpaper WPD-2.6.J for calculation of the pro forma FTP Property Tax Expense supported by Columbia Witness Harding.

j. Schedule D-1.A, Sheet 3, Line 1, BP adjustment to Account 928, Regulatory Commission Expense, is supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.4, Adjustment 17 (Inscho): The purpose of this adjustment is to reflect any change from the Commission's most recent service fee assessment recognized in the Company's budget and change in the amortization of rate case expense from Columbia's prior rate case (Case No. 2021-00183). The

adjustment of \$7 to account 928 is the result a difference in the per book BP actual / forecast budgeted expense compared to the FTP budget.

Schedule D-1.B, Sheet 3, Line 10, FTP adjustment to Accounts 928, Regulatory Commission Expense, is supported and described in the below Schedules and Columbia Witnesses Direct Testimony as follows:

- Schedule D-2.6, Adjustment 6 (Shaeffer): The purpose of this adjustment is to remove the annual amortization of rate case expense from the Columbia's prior rate case (Case No. 2021-00183) of \$196,503 and include the projected rate case expense of \$1,142,250, which is proposed to be amortized over a one-year period. Please refer to Columbia's response to Attorney General's data request 1-3 for explanation of the Company's request to amortize expenses incurred from this proceeding over a period of one-year.

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31. Refer to Columbia Kentucky's Application, Volume 8, Tab 82, Schedule D 2.2. Provide a breakdown of Adjustment 2 that shows the SMRP investment removal separately from the change in rate base and depreciation rates for base rates.

Response:

The adjustment of (\$995,225) reflects the following:

- (\$1,028,507) – removal of SMRP related investment – calculated in Workpaper WPB-2.1.B, Sheet 2, Line 39.
- \$33,282 – reflects the difference between planned depreciation and the detailed depreciation calculated in the B-Schedules – workpaper WPB-2.1.C. The planned depreciation is prepared using a composite total company depreciation rate which provided a slightly different result than planning at detailed Gas Plant Account levels.

The proposed new depreciation rates as developed by Witness Spanos were not included in the base period.

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32. Refer to Columbia Kentucky's Application, Volume 8, Tab 82, Schedule D2.3. Provide the "historic multi-year average of forfeited discounts" used to determine Adjustment 2.

Response:

Please see KY PSC Case No. 2024-00092, Staff 2-32, Attachment A for the calculation of the "historic multi-year average of forfeited discounts" used in Adjustment 2.

**ATTACHMENT
32A IS EXCEL
SPREADSHEET
AND UPLOADED
SEPARATELY**

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33. Refer to Columbia Kentucky's Application, Volume 8, Tab 82, Schedule D2.4 and Workpaper D2.6G.

a. Reconcile the adjustments listed in Schedule D 2.4 with the adjustments listed in Workpaper D2.6G.

b. Itemize and list each lobbying expense from the base period and reconcile it with the expenses excluded for both the Schedule D2.4 and Workpaper D2.6G. If an item was not excluded, explain why.

Response:

a. The Operations and Maintenance (O&M) Expense Cost Category differences, or "adjustments," in Schedule D-2.4 are derived by comparing the schedule referenced Unadjusted Base Period (workpaper WPD-2.4.A) to the Unadjusted Forecasted Test Period (workpaper WPD-2.4.B). The "adjustments" carry-forward to the Base Period Operating Income Adjustments Summary displayed in Schedule D-1.A, Column 7,

which is utilized in determining the *Unadjusted* Forecasted Test Period operating income in Column 11.

In contrast, the ratemaking adjustments listed in workpaper WPD-2.6.G provide support for the amounts removed from Columbia's direct cost O&M FTP budget, by O&M Cost Category (type), presented in Schedule D-2.6, Adjustments 7.1 and 7.2. As described in the Direct Testimony of Columbia Witness Shaeffer at Page 14, Adjustments 7.1 and 7.2 "remove a 2025 level of expense based on identified non-recoverable items using 2023 actual data, adjusted for inflation, to arrive at a representative proxy included in the FTP budget." Schedule D-2.6, Adjustments 7.1 and 7.2 are carried-forward to the Forecasted Test Period Operating Income Adjustments Summary, Schedule D-1.B, Columns 7.1 and 7.2 in determining the *Adjusted* Forecasted Test Period operating income in Column 16 and utilized in calculating the revenue requirement.

- b. Lobbying Expenses are generally recorded below-the-line to FERC Account 426.4, Other Income and Deductions-Political Contributions (Lobbying). Columbia recognizes that misclassification of Lobbying Expenses to above-the-line accounts (as utility operating income) can and do occur. As explained in the Direct Testimony of Columbia Witness Shaeffer at Page 14 in describing Schedule D-2.6, "Adjustments 7.1, 7.2, 8.1, and 8.2 remove a 2025 level of expense based on identified non-recoverable items using 2023 actual data, adjusted for inflation, to arrive at a representative proxy

included in the FTP budget". The adjustment amounts to remove a representative level of above-the-line Lobbying Expenses from Columbia Direct FTP O&M budget can be found in Workpaper D-2.6.G, Lines 1 thru 5 and summarized on Line 14.

Please see KY PSC Case No. 2024-00092, Staff 2-33 Attachment A for an itemized listing of the identified Columbia Direct O&M actual Lobbying Expenses for calendar year 2023 with references to the lobbying adjustments in Workpaper D-2.6.G, as well as the Base Period for actuals through May 2024. Additionally, listed below is an update of KY PSC Case No. 2024-00092, Staff 1-13 Lobbying Expenses for Director of Government and Public Affairs, Linda L. Rumpke (registered as a lobbyist).

January 2023	\$0.00
February 2023	\$1,863.75
March 2023	\$0.00
April 2023	\$708.33
May to August 2023	\$7,846.08
September to December 2023	\$5,047.92
Total 2023	\$15,466.08
2024 & 2025 Projected Merit Increases	7.00% (<i>Refer to KY PSC Staff 1-39</i>)
Total 2023 with Projected Merit	\$16,548.71 (<i>Workpaper D-2.6.G, Line 1</i>)
January 2024	\$3,072.29
February 2024	\$4,091.83
March 2024	\$3,334.21
April 2024	\$1,006.00
May 2024	\$0.00
Total Year-To-Date 2024	\$11,504.33

The Columbia Direct O&M Lobbying adjustment, as explained in Part A above, is carried-forward to Schedule D-2.6, Adjustment 7.1, in determining the *Adjusted* Forecasted Test Period operating income and Columbia's revenue requirement.

**ATTACHMENT
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
DATED JUNE 21, 2024

34. Refer to Columbia Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 8. Provide the updated Lost and Unaccounted-For (LAUF) Estimates in the Distribution System for Columbia Kentucky.

Response:

The Company updates the Lost and Unaccounted for Gas ("LAUF") percentage in January of each year based on LAUF calculations of the 12 months ended August of the prior year. Beginning in January 2024, the Company is billing a LAUF percentage of 0.5%.

COLUMBIA GAS OF KENTUCKY, INC.
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35. Provide the lost and unaccounted for line loss for each system within Columbia Kentucky for the last six months.

Response:

Columbia calculates its Lost and Unaccounted for Gas ("LAUF") percentage at a total Company level annually in August and begins billing the rate in January of the following year. The 12 months ended August 2024 LAUF calculation will be available as the end of 2024.

COLUMBIA GAS OF KENTUCKY, INC.
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36. Provide the total lost and unaccounted for line loss for Columbia Kentucky's system in 2023. Explain how Columbia Kentucky calculates this information.

Response:

The Lost and Unaccounted for Gas ("LAUF") percentage, which is calculated based on the 12 months ended August 31, 2023, is being billed at 0.5%. LAUF is determined by Columbia comparing the annual supply volumes received into its distribution system to the volumes measured at the customer's meter (consumption). The amount of annual consumption is subtracted from the amount of annual supply to determine the unaccounted volumes. The annual unaccounted volumes for the 12 months is divided by the total annual supply for the 12 months to determine the calculated annual Lost and Unaccounted for Gas percentage for the year. The calculated LAUF percentage is then averaged to the prior 10 years calculated LAUF percentages to determine the billed LAUF percentage.

COLUMBIA GAS OF KENTUCKY, INC.
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37. Refer to Columbia Kentucky's response to Staff's First Request, Item 54. Provide an index of the attachments provided in this response.

Response:

Please refer to KY PSC Case No. 2024-00092, Staff 2-37, Attachment A which provides an index of the various worksheets included in the Attachments to Staff DR Set 1, No. 54. The indexes are detailed by excel worksheet names, separated into groupings that align with the Standard Filing Requirements as well as provide listing of worksheets used for input, validation and reference that are in the working excel file but not part of the Standard Filing Requirement outputs.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION
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38. Refer to Columbia Kentucky's response to Staff's First Request, Item 54, Attachment A. Explain whether Tab "INPUT – SMRP Plant in Service" is used to determine the SMRP plant removal.

Response:

Please refer to Columbia's Response to Staff's Data Request Set Two, No. 37.

The tab "INPUT – SMRP Plant in Service" provided a place to insert the 2024 & 2025 SMRP Plant additions and retirements into the excel file. These values were referenced in the various schedules to maintain the SMRP activity separate from the remaining Company activity. Ultimately, the SMRP plant activity was removed from the rate base requested in this case.

COLUMBIA GAS OF KENTUCKY, INC.
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39. Provide the location of any master meters owned by Columbia Kentucky.

Response:

Please refer to KY PSC Case No. 2024-00092 Staff 2-39 Attachment A.

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COLUMBIA GAS OF KENTUCKY, INC.
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40. Refer to Application at 9, paragraph 23. Explain how this shift in uncollectible expense effects the forecasted revenue requirement and rates.

Response:

Please refer to Section III of Witness Gore testimony describing the exclusion of SMRP investments, associated revenues, and costs in the revenue requirement in this base case.

Revenue Requirement Impact

The Company's proposed shift in SMRP Rider-related uncollectible expense results in a lower revenue requirement in this base case. The calculated pro forma uncollectible expense (derived from FTP normalized revenues per Schedule M multiplied by the proposed uncollectible provision rate) does not include SMRP Rider-related uncollectible expense as the FTP revenues in Schedule M do not include SMRP Rider revenues, thereby resulting in a lower revenue requirement. As a result of maintaining the SMRP Rider separate from base rates, Columbia is proposing for the SMRP Rider-related uncollectible expense to be included as part of the SMRP Rider revenue requirement beginning in

January 2025. Thus, the reduction in cost recovery in the base case would be offset by increases in the SMRP Rider cost recovery. The Company's proposed uncollectible factor for the SMRP Rider is to use the approved uncollectible factor from this base rate case. Therefore, the total combined base rate revenue requirement and SMRP Rider revenue requirement will contain the same amount of uncollectible expense for recovery.

This shifting of uncollectible expense cost recovery follows the same process as the proposed recovery of all other SMRP Rider-related costs including return, depreciation, and property taxes. These costs are not included in the base case revenue requirement, rather these costs will be part of the continued SMRP Rider revenue requirement.

Customer Rates

The Company's proposed shift in SMRP Rider-related uncollectible expense results in lower proposed customer rates in this base case. As noted, the costs are not included in the base rate revenue requirement. The continued SMRP Rider will have higher proposed customer rates as the recovery of will include uncollectible expenses. Given the uncollectible expense would be the same in each recovery process, the net impact to customer bills should be offsetting.

COLUMBIA GAS OF KENTUCKY, INC.
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41. Refer to the Direct Testimony of Ronald J. Amen (Ronald Testimony), page 15.
- a. Provide a description of the specific distribution plant represented by the accounts identified in lines 8 through 10, and the extent of any shortfall in the recovery of the cost of this plant due to the current rate design.
- b. Explain the circumstances surrounding the decision to perform a special study of the Main Line Delivery Service customer class in order to separate the customer charge revenue allocation based on customer transportation volume.

Response:

- a. Please refer to KY PSC Case No. 2024-00092 Staff 2-41 Attachment A for description of the specific distribution plant represented by the accounts identified in lines 8 through 10 of Witness Amen's Direct Testimony at page 15. The Main Line Delivery Service class has no shortfall in revenue recovery with the proposed rate design.
- b. As explained in Witness Amen's direct testimony, the reason for conducting a study to separate customer charges for the ML-DS class was due to large annual volume

differences and varying levels of on-site plant investment among the customers within the class, which number only six customers. Reviewing the individual customer's usage provided a natural breakpoint that assisted in determining a customer charge that would better collect fixed customer-related costs from these customers.

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COLUMBIA GAS OF KENTUCKY, INC.
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42. Refer to Amen Direct Testimony, Exhibit RJA-2, pages 56-59. Explain if there is any subsidization occurring between the customer classes considering the high rate of returns. If so, then explain if Columbia Kentucky planned on addressing these subsidizations in this case and if not, then why not.

Response:

The referenced Attachment RJA-2, pages 56-59, are the results of the Demand-Commodity study which were provided for informational purposes only. The results of CKY's proposed class cost of service study (Average of Customer-Demand and Demand-Commodity methods) for rate design can be found in Attachment RJA-2, pages 10 - 33. As detailed in Witness Amen's testimony, revenue was apportioned using a moderated approach based on current parity ratios. The intent is to move class revenues closer to their respective COSS, thereby reducing the current interclass subsidization.

COLUMBIA GAS OF KENTUCKY, INC.
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43. Refer to Amen Direct Testimony, Exhibit RJA-4, page 1. Explain why Columbia Kentucky is placing the majority of its revenue increases to the customer charge for its customer classes rather than the volumetric charges.

Response:

Based on the unit cost results of the COSS, many of the classes' customer charges are below the fixed customer-related costs incurred to serve them. The increases proposed by Columbia Kentucky move the customer charges closer to the respective classes' fixed customer-related costs. Setting rates based on the nature of the underlying cost to serve a customer class sends the appropriate economic price signals to the customers within that class.

COLUMBIA GAS OF KENTUCKY, INC.
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44. Refer to the Direct Testimony of Judy M. Cooper (Cooper Direct Testimony), page 10. Explain why SMRP uncollectible expense cannot be reserved for the balancing adjustment component of that mechanism.

Response:

Please refer to Columbia's Response to Staff Set 2, No. 40, which describes the inclusion of SMRP uncollectible in the SMRP revenue requirement and customer rates. The result of this action does not create incremental revenues for the Company. The recovery of these costs will appear in a different bill component but as proposed, will be designed to recover the same amount of costs.

While it is practically possible to reserve the collection of uncollectible expense in the annual balancing adjustment, doing so does not align to sound regulatory theory.

The SMRP revenue requirement and resulting customer rates are designed to recover the current period costs within the same calendar years as the costs are incurred by the utility.

Other costs, like depreciation and property tax, align the recovery of these costs with cost

incurrence. Similarly, gas cost recovery includes an estimated cost of gas designed to recover costs within the same period. While the actual costs are not known, the inclusion of the estimated cost attempts to align cost incurrence with customer rates.

The deferring of SMRP related uncollectible until the balancing adjustment does not align with this matching principle, which is used in the Company's ratemaking process.

Further, if the recovery of SMRP uncollectible expense was deferred until the balancing adjustment process commences, which would begin in June of the following calendar year, the company's operating results will be negatively impacted in year 1 and positively impacted starting June year 2. To mitigate this impact, the Company would consider requesting a new regulatory asset to defer the costs in Year 1 and amortize the balances as the revenue recovers the expense starting in June of Year 2. This complexity can be avoided through the adoption of Columbia's proposed treatment for uncollectible expense.

COLUMBIA GAS OF KENTUCKY, INC.
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45. Refer to Cooper Direct Testimony, page 16, line 15-19.
- a. Provide the total revenue Columbia Kentucky receives from the billing services for the two entities.
- b. Explain how Columbia Kentucky engaging in the provision of billing services relates to Columbia Kentucky's regulated activity.

Response:

- a. Total revenues in 2023 from NICOR-AGL were \$18,080.60, and \$24,451.61 from Columbia Service Partners. Columbia Service Partners ("Service Partners") was previously an affiliate but was sold in 2003 and is no longer an affiliate.
- b. NICOR-AGL and Service Partners primarily offer warranties for utility service related fixtures (e.g., in-house gas piping); other products provide gas utility bill payment and appliance warranty protection. The activities are reasonably related to Columbia's regulated services because they allow Columbia's customers to take advantage of various

utility service-related warranty and/or insurance offerings in a convenient manner, through the inclusion of charges on its customers' gas utility bills.

COLUMBIA GAS OF KENTUCKY, INC.
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46. Refer to the Cooper Direct Testimony, page 14.
- a. State whether Columbia Kentucky is concerned about the shift in revenue responsibility from collection through the late payment penalty to the base rates of the residential class, and the relative impact on residential rates of the shift in revenue allocation.
- b. State whether Columbia Kentucky has collected the revenue requirement each year that was allocated to residential late payment penalties in the last rate case.

Response:

- a. The proposed shift in residential late payment penalties collection to base rates is based on Columbia's understanding of the Commission's Order in its last base rate case, Case No. 2021-00183. Columbia had not proposed any changes to its late payment penalty in Case No. 2021-00283, nor had it been raised as an issue at any time since it was approved for residential customers in Columbia's Case No. 2009-00141. However, the Commission requested cost support for Columbia's late payment penalty and in its Final

Order, explained its purpose for the requested cost support. The Commission stated that based on evidence it collected in Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19*, it had recently begun reviewing utilities' late payment charges during rate cases.

The Commission stated that Columbia's responses to information requested in Case No. 2020-00085 were inconclusive as to whether the percentage of residential customers paying on time increased or decreased during the Commission ordered late payment charge moratorium, as Columbia's billing system marked all residential payments as on time from March 2020 to December 2020 while the late payment charge was not being assessed.

Columbia provided the requested cost support. The Commission accepted that the charge was fairly representative of costs incurred, and allowed it to continue. However, the Commission expressed concern that Columbia could be "overstating the costs associated with late payers by including items that don't necessarily apply to all late payers, such as the cost of the termination notice, outbound and inbound calls and collection premise visits"¹. These are costs that absolutely are not incurred to serve residential customers that pay on time. The nature of these costs have not changed since Columbia's last base rate case. Therefore, based on the Commission's stated concern

¹ Case No. 2021-00183, Order dated December 28, 2021, page 44.

regarding residential late payers, the apparently intended alternative course, is to recover the costs as part of base rates instead of a late payment penalty.

b. The revenue requirement allocated to residential late payment penalties was not specified in Columbia's last rate case.

COLUMBIA GAS OF KENTUCKY, INC.
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47. Refer to the Direct Testimony of Michael E. Girata (Girata Testimony), pages 4–5. Provide all data used to weather normalize residential and commercial customer usage data. The data should be provided in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible and should be sufficient to show the adjustments used to derive the test year customer usage.

Response:

See KY PSC Case No. 2024-00092, Staff 2-47, Attachment A.

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48. Refer to the Girata Testimony, page10, Table 2. Provide a detailed explanation for the projected decrease in industrial transportation volumes from 2023 actual levels.

Response:

Within Columbia's industrial customer class, there is a single large transportation customer that accounts for over half of the annual load. This customer has the option to procure gas from either Columbia or a competing pipeline, leading to difficulties in forecasting.

Historically, this customer has consumed ~6 BCF of gas from Columbia annually, and in 2023 its load was closer to ~10 BCF due to various factors that led it to procure more gas from Columbia than it traditionally has. Moving forward, there is still uncertainty surrounding the operations of this one customer and which pipeline it will use, so its forecast was kept at the 6 BCF level for the test year.

COLUMBIA GAS OF KENTUCKY, INC.
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49. Refer to Application, Tab 98. State whether NiSource has a cost allocation manual. If yes, provide the manual regardless of whether it is specifically applicable to Columbia Kentucky.

Response:

Please refer to Attachment KK-2, attached to the Direct Testimony of Columbia Witness Kristen King.