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May 23, 2024

ELECTRONICALLY FILED

Linda Bridwell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0605

RE: KY PSC Case Nos. 2024-00092

Dear Ms. Bridwell:

On behalf of Columbia Gas of Kentucky, Inc. ("Columbia"), please accept this in response to the deficiency letter issued on May 22, 2024. Columbia does not believe that the Application was deficient, as each of the items noted in the Commission's deficiency letter were contained within the Application. Columbia addresses each of the items from the Commission's letter individually below, and in the document attached herein, with references to where the information can be found within Columbia's Application that was tendered on May 16, 2024:

1. 807 KAR 5:001 Section 16 (6) (a): Financial data for forecasted period presented as pro forma adjustments to base period; Please clarify "unadjusted forecasted period" terminology.

The term "unadjusted forecasted period" does not appear in Columbia's response to Filing Requirement 807 KAR 5:001 Section 16(6)(a). Columbia's response states:

The financial data for the forecasted period is presented in the form of pro forma adjustments to the unadjusted and adjusted base period. This is supported by the witnesses below, whose testimony appears at Tabs 18, 25, 27, 28, 29, 31, 32, and 33.

For purposes of Filing Requirement 807 KAR 5:001 Section 16(6)(a), "unadjusted base period" means the six months of actual costs (spanning the period between September 2023 through February 2024) per Columbia's general ledger, and six months of projected costs (spanning the period between March 2024 through

August 2024) per Columbia's budget with no ratemaking adjustments applied. For purposes of 807 KAR 5:001 Section 16(6)(a), "adjusted base period" means the base period costs inclusive of ratemaking adjustments to remove September 2023 through February 2024 SMRP Rider revenues and expenses, and misclassified O&M expenses.

Finally, the term "unadjusted forecasted period" appears in the Direct Testimony of Witness Tamaleh Shaeffer,¹ and refers to Columbia's budgeted costs for calendar year 2025 prior to ratemaking adjustments. As used below in Columbia's clarification of its response to 807 KAR 5:001 Section 16(7)(u), the term "Forecasted Period, adjusted" means Columbia's budgeted costs for calendar year 2025 with ratemaking adjustments.

2. 807 KAR 5:001 Section 16 (6) (f): Reconciliation of the rate base and capital used to determine its revenue requirements; Capitalization used in reconciliation does not match capital structure in Schedule J. Additionally, Rate base used in reconciliation does not match rate base used in schedules A and B.

In order to guide the Commission's review of Columbia's response to 807 KAR 5:001 Section 16(6)(f), Columbia has prepared an attachment to this letter. The attachment is meant to serve as a guide to indicate the information needed to connect Columbia's response to this Filing Requirement to the components of the revenue requirement calculation in Schedules A and B.

The information prepared for Columbia's response to Filing Requirement 807 KAR 5:001 Section 16(6)(f) was prepared to reconcile rate base and capitalization with Columbia's forecasted balance sheet as of December 31, 2025, on a total company basis, in a manner consistent with what was accepted in Columbia's most recent rate case.² As explained in the Direct Testimonies of Witnesses Gore and Cooper, Columbia has not included SMRP-related investments since its last rate case for the calculations in this Application. The information provided in Schedule J outlines Columbia's capitalization, which is done on a total company basis because this is the basis for financing both non-SMRP and SMRP

¹ Please refer to Volume 3, Tab 28.

² Please see *In the Matter of the Electronic Application of Columbia Gas of Kentucky, Inc. for an Adjustment of Rates; Approval of Depreciation Study; Approval of Tariff Revisions; Issuance of a Certificate of Public Convenience and Necessity; and Other Relief*, Case No. 2021-00183 ("2021 Rate Case").

investments. This is the source of the appropriate differences between Columbia's response to this Filing Requirement and the values presented in Schedule J. The attachment includes Line 7A to remove the SMRP rate base and Line 7C to add SMRP rate base in order to provide a reconciliation to Schedules A and B in Line 7B.

Columbia's J Schedules³ included in the calculation of the revenue requirement (Schedule A) used a 13-month average for debt and equity. In contrast, Columbia's response to 807 KAR 5:001 Section 16(6)(f) provided capitalization for the forecasted period based on a terminal value ending at December 31, 2025. This is the manner in which Columbia responded to this Filing Requirement in its last rate case. This results in a difference in the capitalization between Columbia's responses to 807 KAR 5:001 Section 16(6)(f) and 807 KAR 5:001 Section 16(8)(j). Columbia has added information at the bottom of its attachment that aligns the terminal-based capitalization with Schedule J-1, Sheet 2 as well as the 13-month average capitalization in Schedule J-1.1/J-1.2.

The information contained in the attachment's Column A (13-month average from the revenue requirement calculation), specifically the filed-for rate base in Line 7B and the capitalization in Line 20 (reconciled to Schedule J) addresses the Commission's questions raised in the deficiency letter for this Filing Requirement.

3. 807 KAR 5:001 Section 16 (7) (u) (2): Method and amounts allocated during base period and method and estimated amounts to be allocated during forecasted test period; Applicant did not provide the amounts allocated.

Columbia's response to the filing requirement contained in 807 KAR 5:001 Section 16(7)(u)(2) reads "Please see the response provided above for the method used and amounts allocated during the base period and estimated amounts to be allocated during the forecasted period."⁴ "Table NB-1" appears immediately above this quoted statement in Columbia's response to 807 KAR 5:001 Section 16(7)(u)(1), which contains a description of the method and amounts of allocation of NCSC costs to Columbia.⁵ In addition, Columbia's response to Filing

³ Please refer to Volume 9, Tab 88.

⁴ Please refer to Volume 8, Tab 76.

⁵ *Id.* See also the Direct Testimony of Nicholas Bly at Volume 3, Tab 31, where the table also appears.

Requirement 807 KAR Section 16(7)(u)(1) is “A detailed description of the method or calculation and amounts allocated or charged to that utility by the affiliate”⁶,

Table NB-1, pasted below for ease of reference, from Columbia’s Response to Filing Requirement 807 KAR 5:001 Section 16(7)(u)(1) contains the amounts allocated. The table is described in the response to 807 KAR 5:001 Section 16(7)(u)(1) as follows: “Table NB-1 represents Columbia Gas of Kentucky’s charges from NCSC during the Base Period and Forecasted Period, adjusted.” Columbia’s use of “charges from NCSC” is Columbia’s definition for the term “allocated.” The amount allocated to Columbia for the Base Period (including both actual and forecasted) is \$22,282,493. The amount projected to be allocated to Columbia, and included in the revenue requirement for this Application, for the Forecasted Period is \$19,722,579.

Table NB-1		
Costs	Base Period (TME 8/31/2024)	Forecasted Period, adjusted (TME 12/31/2025)
Actual (9/1/2023 - 2/29/2024)	\$ 11,960,710	\$ -
Forecast	10,321,783	19,722,579
Grand Total	\$ 22,282,493	\$ 19,722,579

Columbia respectfully requests that the Commission deem the rate case application filed as of May 16, 2024, for the reasons stated above. Each of the items referenced in the Commission’s May 22, 2024, deficiency letter were contained appropriately within Columbia’s Application filed on May 16, 2024.

Sincerely,

/s/ John R. Ryan

John R. Ryan
Senior Counsel

⁶ Please refer to Volume 8, Tab 76.