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

O R D E R

On April 6, 2024, Columbia Gas of Kentucky, Inc (Columbia Kentucky) filed a notice of intent to file an application seeking an adjustment of rates using a forecasted test year. On May 23, 2024[1], Columbia Kentucky filed an application pursuant to KRS 278.180, KRS 278.190, KRS 278.192, and 807 KAR 5:001 requesting (1) approval for an adjustment of rates; (2) approval of a depreciation study and associated rates; and (3) approval of tariff revisions.

BACKGROUND

Columbia Kentucky is a subsidiary of NiSource Gas Distribution Group Inc. (NiSource Distribution), which is a subsidiary of NiSource, Inc (NiSource), a Delaware corporation.[2] Columbia Kentucky is headquartered in Lexington, Kentucky.[3] Columbia Kentucky provides natural gas service to approximately 138,000 residential, commercial,

[1] On May 16, 2024, Columbia Kentucky tendered its application. On May 22, 2024, Columbia Kentucky was notified the application was deficient. On May 23, 2024, Columbia Kentucky resolved the deficiencies, and the application was deemed filed.

[2] Application at 2.

[3] Application at 1.

As discussed in Case Nos. 2019-00271,[198] 2020-00174[199] and 2020-00350,[200] the Commission continues to believe that it is appropriate for utilities to present, and for the Commission to evaluate, multiple methodologies to estimate ROEs. Each approach has its own merits. As demonstrated in the respective ROE testimonies in this proceeding, there is considerable variation in both data and application within each modeling approach, which can lead to very different results. The Commission's role is to conduct a balanced analysis and weigh how each of the various models, as presented, are employed.

The Commission again cautions all parties against unreasonably removing or ignoring "outlier" data due to a perception of being "too high" or "too low". As demonstrated in testimony, there are a number of actions that can be and were taken to account for "outlier" data.[201] Result oriented exclusions of data that are not beyond the realm of reasonableness are inappropriate. Results based upon excluded data without adequate support will be given less weight in Commission determinations.

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[198] *See generally* Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Assets and Liabilities; and 4) All Other Required Approvals and Relief,* (Ky PSC Apr 27, 2020).

[199] *See generally* Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief*, (Ky PSC Jan 13, 2021).

[200] *See generally* Case No. 2020-00350, *Electronic Application of Louisville Gas and Electric Company for an Adjustment of its Electric and Gas Rates, A Certificate of Public Convenience and Necessity to Deploy Advanced Metering Infrastructure, Approval of Certain Regulatory and Accounting Treatments, and Establishment of a One-Year Surcredit,* (Ky PSC Jun 30, 2021).

[201] See Case No. 2021-00183, *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,* (Ky PSC Dec 28, 2021); Case No. 2023-00159, *Electronic Application of Kentucky Power Company for (1) A General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; (4) A Securitization Financing Order; and (5) All Other Required Approvals and Relief* (Ky PSC Jan 19, 2024)

The Commission reiterates further that it continues to reject the use of Predictive Risk Premium Model (PRPM) methodology, flotation cost adjustments, financial risk adjustments and size adjustments in the ROE analyses.[202] The Commission will accord the most weight to DCF and CAPM methodology analyses based upon regulated industry and company proxy groups. Both the DCF and CAPM methodologies are long-standing and well-accepted models that model risk and returns implicitly and explicitly.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that the provision that an ROE of 9.75 percent in the Joint Settlement is reasonable and should be approved. In reaching its determination, the Commission takes note of its recent authorized ROE determinations, as well as the reasonableness of the methods relied upon to achieve this amount, and the Settlement Agreement "stay out" provision.

SMRP Rider

In this proceeding, Columbia Kentucky proposed changes to its SMRP Rider tariff such that the SMRP invested capital, through the future test year, was not being rolled in to base rates.[203] Thus, the SMRP balance was not being reduced to zero as was the case in its previous rate proceedings. Columbia Kentucky argued that, because of this change, there will be historic capital investments that will not be rolled into base rates along with additional future capital investments in the SMRP balance, and the benefits of

[202] See Case No. 2021-00214, *Electronic Application of Atmos Energy Corporation for an Adjustment of Rates* (Ky PSC May 19, 2022); Case No. 2022-00372, *Electronic Application of Duke Energy Kentucky, Inc. for (1) An Adjustment of Electric Rates; (2) Approval of New Tariffs; (3) Approval of Accounting Practices to Establish Regulatory Assets and Liabilities; And (4) All Other Required Approvals and Relief* (Ky PSC Oct 12, 2023).

[203] Application at 9.