

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;	)	2026-00099
APPROVAL OF DEPRECIATION STUDY;	)	
APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

COLUMBIA GAS OF KENTUCKY, INC.'S VERIFIED RESPONSES
TO COMMISSION STAFF'S FOURTH REQUEST FOR
INFORMATION DATED AUGUST 17, 2026

Comes now Columbia Gas of Kentucky, Inc. ("Columbia" or "Company"),
by counsel, and does hereby tender its Verified Responses to Commission Staff's Fourth
Request for Information entered August 17, 2026.

Filed: September 2, 2026

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:)
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FOR AN ADJUSTMENT OF RATES;)
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APPROVAL OF TARIFF REVISIONS; AND)
OTHER RELIEF)

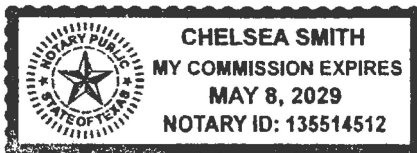
VERIFICATION OF ELIZABETH N. DAVIS

STATE OF TEXAS)
)
COUNTY OF HARRIS)

Elizabeth N. Davis, Lead Regulatory Analyst for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or supervised the preparation of responses to certain requests for information 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.

Elizabeth N. Davis
Elizabeth N. Davis

The foregoing Verification was signed, acknowledged and sworn to before me this 28th day of August 2026, by Elizabeth N. Davis.



Chelsea Smith

Notary Commission No. 135514512

Commission expiration: May 8th 2029

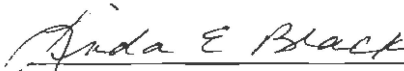
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APPROVAL OF TARIFF REVISIONS; AND)
OTHER RELIEF)

VERIFICATION OF LINDA E. BLACK

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Linda E. Black, Lead Regulatory Analyst for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or supervised the preparation of responses to certain requests for information 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.



Linda E. Black

The foregoing Verification was signed, acknowledged and sworn to before me this 27
day of August 2026, by Linda E. Black.

Ashley G. LaRock
Attorney At Law
Notary Public, State of Ohio
My Commission has no expiration date
Sec. 147.03 R.C.



Notary Commission No. NA

Commission expiration: NA

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

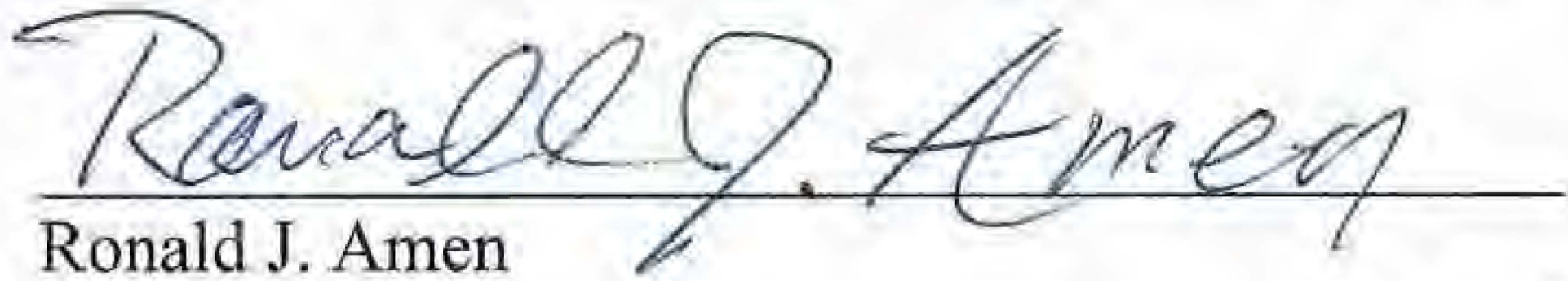
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VERIFICATION OF RONALD J. AMEN

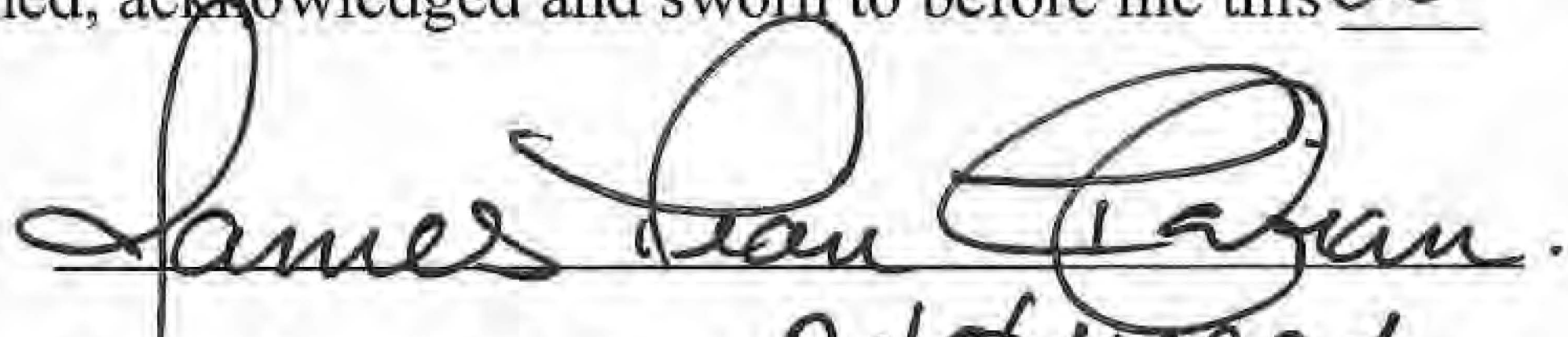
STATE OF WASHINGTON)

COUNTY OF KING)

Ronald J. Amen, Board Chairman, Treasurer, and Executive Vice President of Atrium Economics, Inc. being duly sworn, states that he has drafted and/or supervised the preparation of responses to certain requests for information 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.

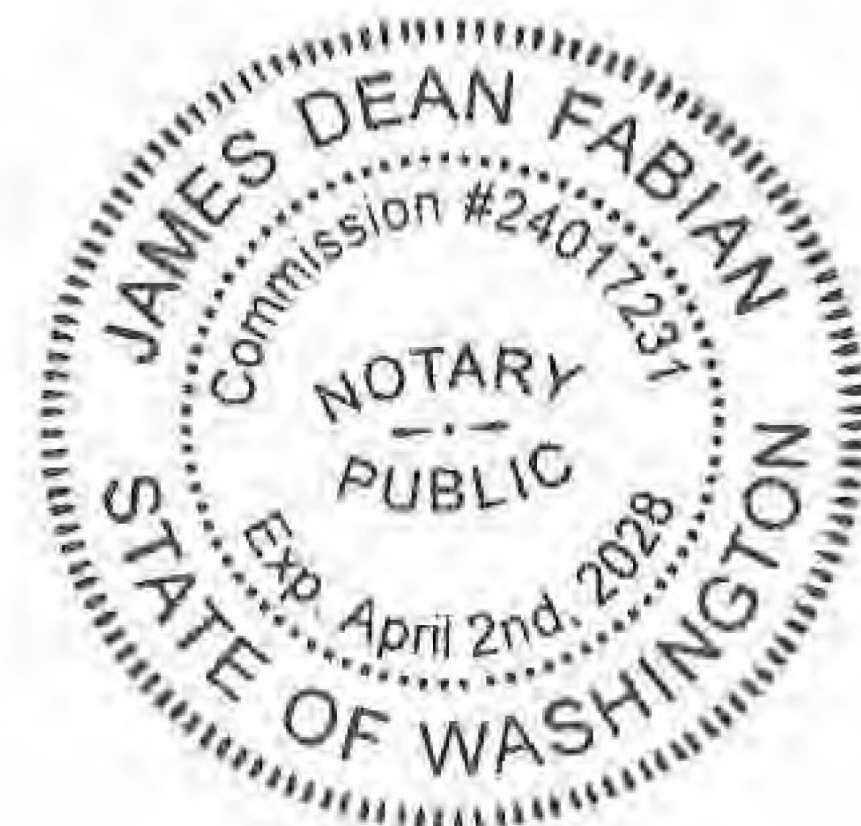

Ronald J. Amen

The foregoing Verification was signed, acknowledged and sworn to before me this 25th day of August 2026, by Ronald J. Amen.



Notary Commission No. 24017231

Commission expiration: 04/02/2028



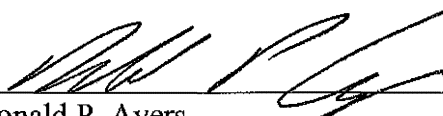
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OTHER RELIEF)

VERIFICATION OF DONALD P. AYERS

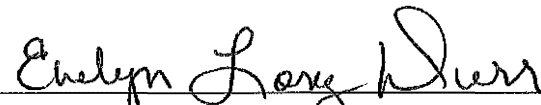
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

Donald P. Ayers, Vice President, Gas Operations for Columbia Gas of Kentucky, Inc., being duly sworn, states that he has drafted and/or supervised the preparation of responses to certain requests for information 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.



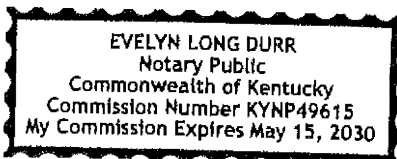
Donald P. Ayers

The foregoing Verification was signed, acknowledged and sworn to before me this 25th day of August 2026, by Donald P. Ayers.



Notary Commission No. KYNP49615

Commission expiration: May 15, 2030



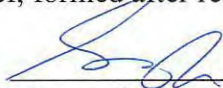
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OTHER RELIEF)

VERIFICATION OF GEORGE B. JONDA

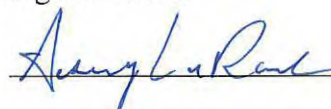
STATE OF OHIO)
)
COUNTY OF FRANKLIN)

George B. Jonda, Manager Financial Planning & Analysis for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that he has drafted and/or supervised the preparation of responses to certain requests for information 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.


George B. Jonda

The foregoing Verification was signed, acknowledged and sworn to before me this 27
day of August 2026, by George B. Jonda.

Ashley G. LaRock
Attorney At Law
Notary Public, State of Ohio
My Commission has no expiration date
Sec. 147.03 R.C.



Notary Commission No. NA

Commission expiration: NA

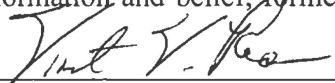
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APPROVAL OF TARIFF REVISIONS; AND)
OTHER RELIEF)

VERIFICATION OF VINCENT V. REA

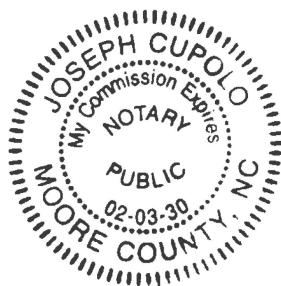
STATE OF NORTH CAROLINA)
)
COUNTY OF MOORE)

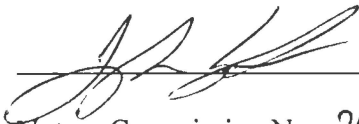
Vincent V. Rea, Managing Director of Regulatory Finance Associates, LLC, being duly sworn, states that he has drafted and/or supervised the preparation of responses to certain requests for information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Vincent V. Rea

The foregoing Verification was signed, acknowledged and sworn to before me this 24th day of August 2026, by Vincent V. Rea.





Notary Commission No. 202503800153

Commission expiration: 02/03/2030

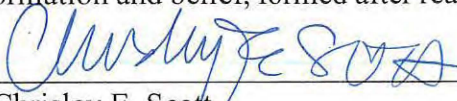
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OTHER RELIEF)

VERIFICATION OF CHRISLEY E. SCOTT

STATE OF OHIO)
)
COUNTY OF FRANKLIN)

Chrisley E. Scott, Senior Director Capital Planning and Support Services for NiSource Corporate Services Company, on behalf of Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or supervised the preparation of responses to certain requests for information 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 E. Scott

The foregoing Verification was signed, acknowledged and sworn to before me this 27
day of August 2026, by Chrisley E. Scott.

Ashley G. LaRock
Attorney At Law
Notary Public, State of Ohio
My Commission has no expiration date
Sec. 147.03 R.C.



Notary Commission No. NA

Commission expiration: NA

**COMMONWEALTH OF KENTUCKY
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OTHER RELIEF)

VERIFICATION OF JUDY M. COOPER

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF FAYETTE)

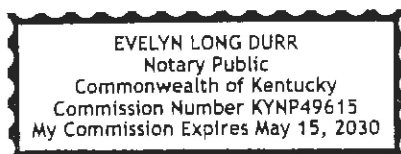
Judy M. Cooper, Director of regulatory Affairs for Columbia Gas of Kentucky, Inc., being duly sworn, states that she has drafted and/or supervised the preparation of responses to certain requests for information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Judy M. Cooper
Judy M. Cooper

The foregoing Verification was signed, acknowledged and sworn to before me this 19th day of August 2026, by Judy M. Cooper.

Evelyn Long Durr
Notary Commission No. KYNP49615

Commission expiration: May 15, 2030



COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Provide Columbia Kentucky's understanding of how approval of an increased fixed customer charge would likely be viewed by the following.

- a. Investors;
- b. Shareholders;
- c. Ratings agencies.

Response:

- a. Columbia's decision to propose an increased fixed customer charge was initiated to help create price stability for the customer and Company as discussed in the testimony of Witness Amen. While Columbia cannot speak for the impressions of other third-parties, the approval of Columbia's proposed fixed customer charge would likely be viewed by investors in the context of whether the Company's overall suite of regulatory revenue stabilization mechanisms remains consistent with other gas utilities nationwide. For example, as reflected in Mr. Rea's direct testimony (pp. 45-48) and in Attachment VVR-4 thereto, Mr. Rea demonstrated that the companies comprising the gas proxy group (the "Gas LDC Group") utilize a wide variety of revenue stabilization mechanisms, including full decoupling,

revenue normalization, weather normalization, rate stabilization, fixed-variable rate design and lost revenue / lost margin recovery mechanisms.

As can be seen in Attachment VVR-4 to Mr. Rea's direct testimony, although Columbia does currently utilize a weather normalization adjustment (WNA) and a fixed customer charge, several of the companies comprising the Gas LDC Group utilize more comprehensive revenue stabilization mechanisms in the form of full revenue decoupling and revenue normalization (RNA) adjustment mechanisms.¹ At the same time, a few of the other companies in the Gas LDC Group only utilize weather normalization adjustments (WNA).² For this reason, to the extent that a comparative evaluation is focused specifically on revenue stabilization mechanisms, it is reasonable to conclude that after considering Columbia's proposed increase to its fixed customer charge, investors would continue to view the Company's suite of revenue stabilization mechanisms as being generally comparable to Columbia's gas utility peer group, as proxied in this proceeding by the Gas LDC Group.

Therefore, on an overall basis, Columbia's utilization of the WNA mechanism and the proposed increased fixed customer charge would be generally comparable to the revenue stabilization mechanisms employed by the Gas LDC Group

¹ This includes New Jersey Resources, NiSource, Northwest Natural Gas, Southwest Gas and Spire.

² This includes Atmos Energy and ONE Gas.

companies. This is an important observation because Mr. Rea's cost of equity evaluation, which relies upon the market and financial data of the Gas LDC Group companies, already incorporates the effects of these various forms of revenue stabilization mechanisms on the risk perceptions and rate of return expectations of investors.

- b. Please see the Company's response to part (a) above, which applies to common equity shareholders.
- c. Please see the Company's response to part (a) above, which also applies to the credit rating agencies. The ratings agencies would likely view the increase to the fixed customer charge as reducing the Company's revenue variability to some small degree, but as noted in part (a) above, they would nevertheless still likely view Columbia's suite of revenue stabilization mechanisms as generally comparable to the Company's gas utility peer group.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Provide any tangible effects Columbia Kentucky projects if the increased customer charge is approved.

Response:

As Witness Amen states in his testimony, the proposed customer charges will provide the following primary effects [references are included in Mr. Amen's testimony where each of the effects are discussed]:

- a) Help to reduce customer bill volatility [see page 54, line 4 to page 55, line 2, and page 66, lines 1-6]. Month-to-month variations in customer bills are greater when more fixed costs are recovered in volumetric rates than a fixed charge whereby winter bill volatility is moderated.
- b) Alleviate a significant portion of the instability in the Company's margin recovery [see page 51, lines 5-14]. Better aligning the customer charge with the Company's fixed costs of providing service minimizes instability in the Company's cost of recovering such fixed costs.
- c) Is fair to customers [see page 32, lines 2-17, and page 50, line 19 to page 51, line 4] and easily understood [see page 51, line 15 to page 52, line 2]. Higher customer

charges help to equalize the contribution of each customer toward recovery of the fixed costs attributable to each customer class. This is more easily understandable for customers that experience similar pricing structures in their everyday lives.

- d) Convey more appropriate price signals with respect to recovery of fixed distribution costs [see page 48, lines 5-14, and page 53, line 8 to page 54, line 3]. Incorrect pricing results in an incorrect price signal for which consumers may act, resulting in savings for a customer that does not align with decreased costs to the utility delivery system.
- e) Benefit low-income customers that have higher than average use [see page 55, line 5 to page 56, line 3, and page 63, line 13 to page 64, line 13]. Higher-usage customers will see greater bill stability under a rate design with higher recovery of fixed costs through a customer charge.
- f) Is not regressive in application to low-income customers who may have little control over their volumetric use of energy. [page 60, line 12 to page 61, line 5, and page 64, line 14 to page 65, line 19]. This burden is exaggerated in the coldest months when volumetric usage increases, forcing some households to make tough decisions, when a higher customer charge can reduce winter volatility.

Please see 2026-00099_PSC_Staff_DR_Set_4_No_2_Attachment_A for highlighted excerpts from Witness Amen's Direct Testimony filed on May 20, 2026.

ATTACHMENT A

TAB 23

807 KAR 5:001 Section 16(7)(a)

Direct Testimony of

Ronald J. Amen

**COMMONWEALTH OF KENTUCKY
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APPROVAL OF TARIFF REVISIONS; AND	)	
OTHER RELIEF	)	

**PREPARED DIRECT TESTIMONY OF
RONALD J. AMEN
ON BEHALF OF COLUMBIA GAS OF KENTUCKY, INC.**

L. Allyson Honaker
Heather S. Temple
Meredith L. Cave
HONAKER LAW OFFICE, PLLC
1795 Alysheba Way, Suite 1203
Lexington, Kentucky 40509
Telephone: (859) 368-8803
allyson@hloky.com
heather@hloky.com
meredith@hloky.com

Ashley G. LaRock
Senior Counsel
290 W. Nationwide Blvd.
Columbus, Ohio 43215
Telephone: (614) 273-4387
alarock@nisource.com

May 20, 2026

Attorneys for Applicant
COLUMBIA GAS OF KENTUCKY, INC.

1 **Q: Please discuss the concept of non-discrimination.**

2 **A:** The concept of non-discrimination requires prices designed to promote
3 fairness and avoid undue discrimination. Fairness requires no undue
4 subsidization either between customers within the same class or across
5 different classes of customers.

6 This principle recognizes that the ratemaking process requires
7 discrimination where there are factors at work that cause the discrimination
8 to be useful in accomplishing other objectives. For example, considerations
9 such as the location, type of meter and service, demand characteristics, size,
10 and a variety of other factors are often recognized in the design of utility
11 rates to properly distribute the total cost of service to and within customer
12 classes. This concept is also directly related to the concepts of vertical and
13 horizontal equity. The principle of horizontal equity requires that “equals
14 should be treated equally” and vertical equity requires that “unequals
15 should be treated unequally.” Specifically, these principles of equity
16 require that where cost of service is equal – rates should be equal and,
17 where costs are different – rates should be different.

18 **Q: Please discuss the principle of administrative simplicity.**

19 **A:** The principle of administrative simplicity as it relates to rate design
20 requires prices to be reasonably simple to administer and understand. This

1 concept includes price transparency within the constraints of the
2 ratemaking process. Prices are transparent when customers are able to
3 reasonably calculate and predict bill levels and interpret details about the
4 charges resulting from the application of the tariff.

5 **Q: Please discuss the principle of the balanced budget.**

6 A: This principle permits the utility a reasonable opportunity to recover its
7 allowed revenue requirement based on the cost of service. Proper design of
8 utility rates is a necessary condition to enable an effective opportunity to
9 recover the cost of providing service included in the revenue authorized by
10 the regulatory authority. This principle is very similar to the stability
11 objective that I previously discussed from the perspective of customer rates.

12 **Q: Can the objectives inherent in these principles compete with each other**
13 **at times?**

14 A: Yes, like most principles that have broad application, these principles can
15 compete with each other. This competition or tension requires further
16 judgment to strike the right balance between the principles. Detailed
17 evaluation of rate design alternatives and rate design recommendations
18 must recognize the potential and actual competition between these
19 principles. Indeed, Bonbright discusses this tension in detail. Rate design

1 recommendations must deal effectively with such tension. For example, as
2 noted above, there are tensions between cost and value of service principles.

3 **Q: Please describe the conflict between marginal cost price signals and the**
4 **recovery of the utility's revenue requirement.**

5 A: The conflict between proper price signals based on marginal cost and the
6 balanced budget principle arises because marginal cost is below average
7 cost due to economies of scale. Where fixed delivery service costs do not
8 vary with the volume of gas sales, marginal costs for delivery equal zero.
9 Marginal customer costs equal the additional cost of the customer accessing
10 the entire gas delivery system. Marginal cost tends to be either above or
11 below average cost in both the short run and the long run. This means that
12 marginal cost-based pricing will produce either too much or too little
13 revenue to support the utility's total revenue requirement. This suggests
14 that efficient price signals may require a multi-part tariff designed to meet
15 the utility's revenue requirements while sending marginal cost price signals
16 related to gas consumption decisions. Properly designed, a multi-part tariff
17 may include elements such as access charges, facilities charges, demand
18 charges, consumption charges, and the potential for revenue credits.

19 In the case of an LDC such as Columbia for residential and small
20 commercial customers, the combination of scale economies and class

1 homogeneity may permit the use of a single fixed monthly charge that
2 meets all of the requirements for an efficient rate that recovers the utility's
3 revenue requirement that is derived on an embedded cost basis. For larger
4 customers, a combination of these elements permits proper price signals
5 and revenue recovery; however, the tariff design becomes more difficult to
6 structure and will no longer meet the requirements of simplicity. Therefore,
7 sacrificing some economic efficiency for a customer class in order to
8 maintain simplicity represents a reasonable compromise. For larger
9 customers, the added complexity of a demand charge may not be a concern.
10 Further, for the largest customers, the cost of metering is customer-specific,
11 and each customer creates its own unique requirements for gas distribution
12 service based on factors such as distance from the utility's city gate,
13 pressure requirements, and contract demand levels.

14 **Q: Are there other potential conflicts?**

15 A: Yes. There are potential conflicts between simplicity and non-
16 discrimination and between value of service and non-discrimination. Other
17 potential conflicts arise where utilities face unique circumstances that must
18 be considered as part of the rate design process.

19 **Q: Please summarize Bonbright's three primary criteria for sound rate**
20 **design.**

1 A: Bonbright identifies the three primary criteria for sound rate design as
2 follows:

- 3 • Capital Attraction
- 4 • Consumer Rationing
- 5 • Fairness to Ratepayers

6 These three criteria are a subset of the list of principles above and serve to
7 emphasize fundamental considerations in designing public utility rates.

8 Capital attraction is a combination of an equitable rate of return on rate base
9 and the reasonable opportunity to earn the allowed rate of return.

10 Consumer rationing requires that rates discourage wasteful use and
11 promote all economically efficient use. Fairness to ratepayers reflects
12 avoidance of undue discrimination and equity principles.

13 **Q: How are these principles translated into the design of retail gas rates?**

14 A: The process of developing rates within the context of these principles and
15 conflicts requires a detailed understanding of all the factors that impact rate
16 design. These factors include:

- 17 • System cost characteristics such as established in the COSS required
18 by the Commission, or embedded customer, demand, and
19 commodity-related costs by type of service;
- 20 • Customer load characteristics such as peak demand, load factor,
21 seasonality of loads, and quality of service;

- Market considerations such as elasticity of demand, competitive fuel prices, end-use load characteristics, and LDC bypass alternatives; and
- Other considerations such as the value of service ceiling/marginal cost floor, unique customer requirements, areas of underutilized facilities, opportunities to offer new services and the status of competitive market development.

In addition, the development of rates must consider existing rates and the customer impact from modifications to the rates. In each case, a rate design seeks to recover the authorized level of revenue based on the billing determinants expected to occur during the test period used to develop the rates.

The overall rate design process, which includes both the apportionment of the revenues to be recovered among customer classes and the determination of rate structures within customer classes, consists of finding a reasonable balance between the above-described criteria or guidelines that relate to the design of utility rates. Economic, regulatory, historical, and social factors all enter into the process. In other words, both quantitative and qualitative information is evaluated before reaching a final rate design determination. Out of necessity then, the rate design process has to be, in part, influenced by judgmental evaluations.

Q: Are there additional considerations in the development of rates?

1 A: Yes. Prior to making any decisions and forming recommendations related
2 to the design of rates for the residential class, I performed a detailed review
3 of customer class usage characteristics.

4 **A. Residential Customer Class Characteristics**

5 **Q: Did you review the usage characteristics of the residential class to inform**
6 **the Company's proposed rate design?**

7 A: Yes. Specifically, Atrium was provided with monthly residential customer
8 usage data. While the majority of the analysis focused on the 2025 calendar
9 year, one chart was produced that spanned February 2024 to January 2026
10 (24 months). The results of our analysis are primarily based on one year
11 (2025) monthly residential customer data. Included within this data was not
12 only monthly usage by customer, but also key differentiating features of the
13 customers that allowed me to identify subsets of the residential population
14 for more in-depth comparative analytics related to how low-income ("LI")
15 customers (customers who are enrolled in one or more of the assistance
16 programs offered by the Company)² compare to the rest of the general
17 residential ("GR" or "non-low-income") customer population.

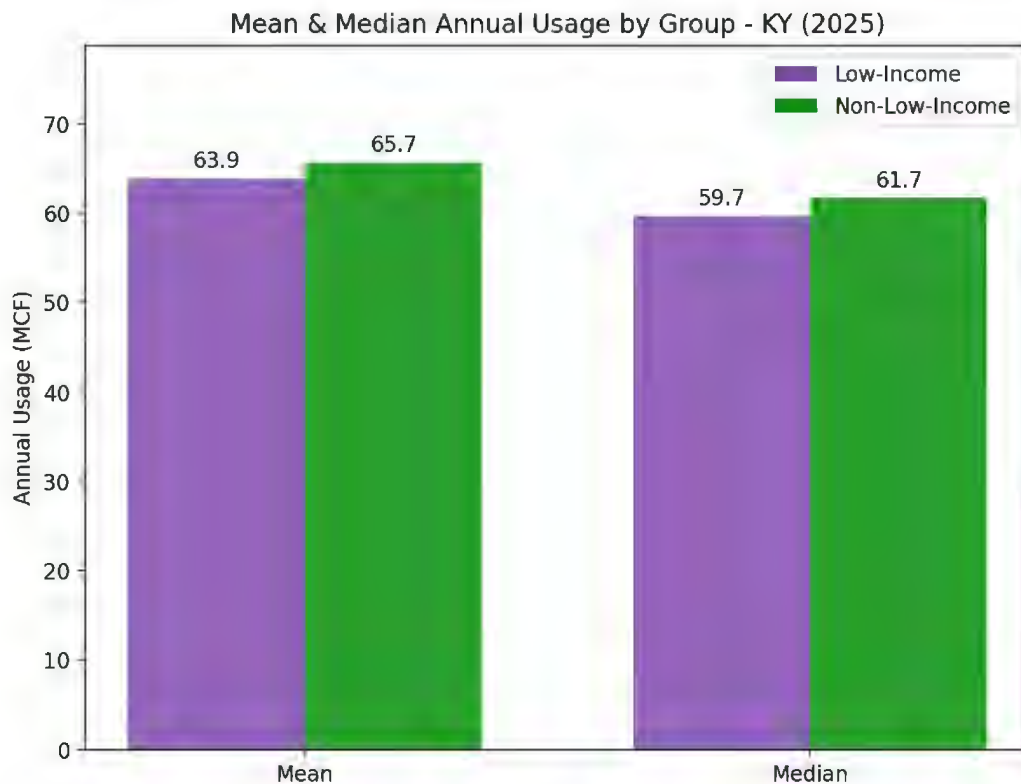
18 **Q: Please summarize your key findings.**

² Low-income customers are identified based on their enrollment in one or more Company-administered assistance programs during the calendar year 2025.

1 A: Of particular interest, the result of my analysis presented in Figure 1 below
2 demonstrates that LI customers tend to consume slightly less natural gas
3 than the GR population. While low-income customers on average have a
4 slightly lower average/median annual usage than non-low-income
5 customers, there is a limited difference, if any, in their seasonal usage,
6 discussed further below.

7 In addition, my analysis shows that LI customers tend to have higher
8 energy usage per square foot, which indicates they live in less efficient
9 dwellings in terms of energy consumption per square foot.

10 **Figure 1 – Comparison of Residential Low-Income and Non-Low-**
11 **Income Annual Usage**

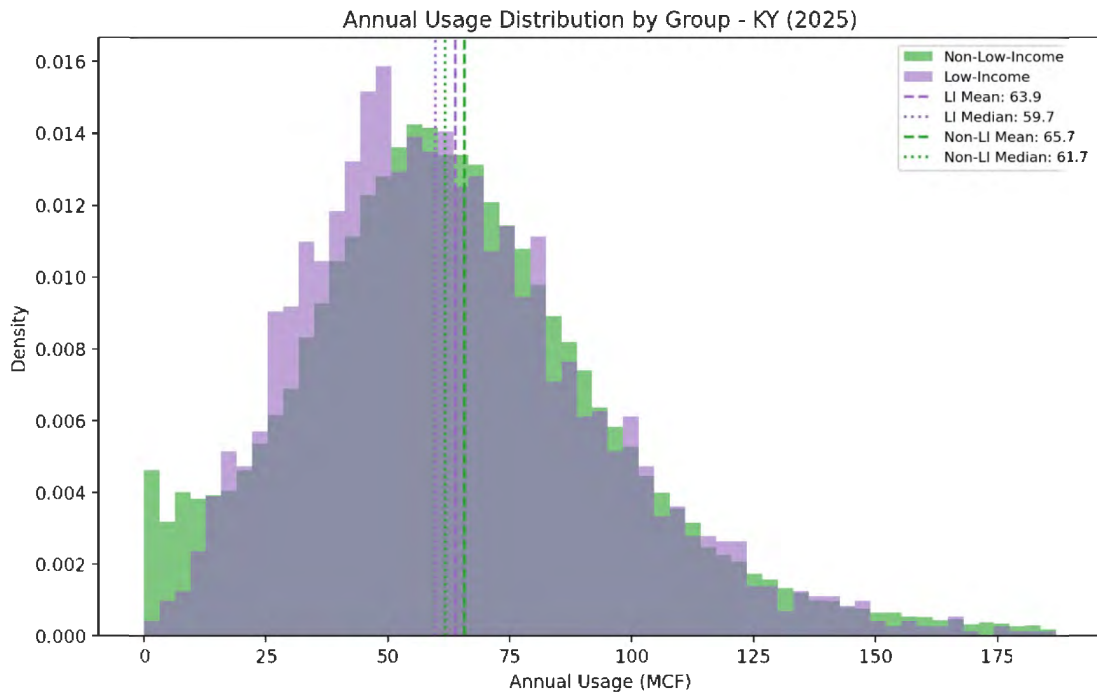


1 **Q: Please describe the analysis and results in more detail.**

2 A: Some of this information becomes easier to understand through graphical
3 representation as well. Most of the initial work centered around creating
4 analysis-ready datasets which involved joining together various individual
5 datasets provided by Columbia. These included individual customer
6 billing records from the Company’s billing system, Geographic Information
7 System (“GIS”) records, which included property record information like
8 living-space square footage, and indicators of customers actively enrolled
9 in one or more Company-provided assistance programs. This was
10 combined with other information regarding the Company’s rate schedules
11 and service territory. Once the multiple sources of data were combined into
12 a single dataset, the next step was to validate some of the data
13 characteristics, such as number of customer bills by month and year, high-
14 level usage statistics, assistance enrollment counts, etc. This validation step
15 involved cross-referencing the high-level Atrium-calculated summary
16 statistics with data summaries prepared by the Company for use in the 2024
17 rate proceeding. The Company confirmed alignment between Atrium’s
18 numbers and their internal reference points. Statistics such as average
19 usage, monthly usage, and usage per square foot of living space were then
20 computed for the LI group and the non-low-income group. A histogram of

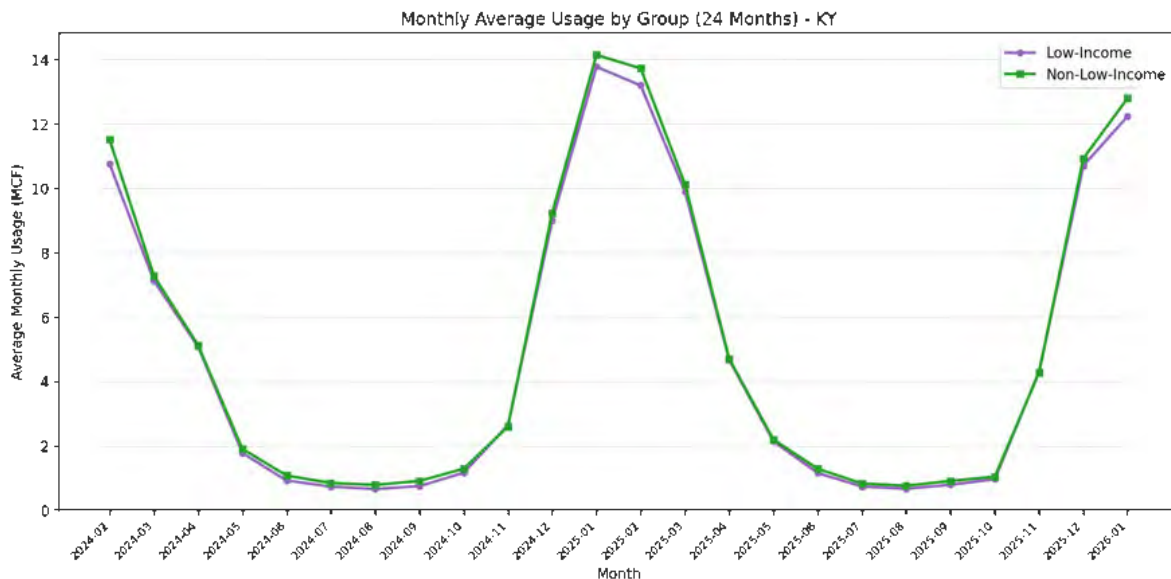
1 each customer's annual usage by group illustrates similar annual usage
2 profiles between the LI and non-low-income populations as shown in
3 Figure 2, below.

4 **Figure 2 – Annual Residential Usage Distribution by Group**



5
6 As shown in Figure 3 below, it is evident that while the pattern of usage
7 (that is the seasonality characteristics) is very similar between the LI and
8 GR customers, the actual levels of consumption differ whereby the LI
9 customers tend to use slightly less gas than GR customers, especially during
10 the heating months.

1 **Figure 3 – Monthly Residential Average Usage Patterns by Group**



2

3 **Q: You also mentioned analyzing usage per square foot of living space,**

4 **please elaborate further.**

5 **A:** The Company subscribes to a data service to obtain tax assessor data for

6 addresses within its service territory from a third-party data provider. This

7 data includes, among other data points, the square footage of living space

8 for many (though not all) of the addresses in the service territory. Using this

9 information, differences in the energy intensity (i.e., how much energy is

10 used per square foot of living space) between the LI and GR customer

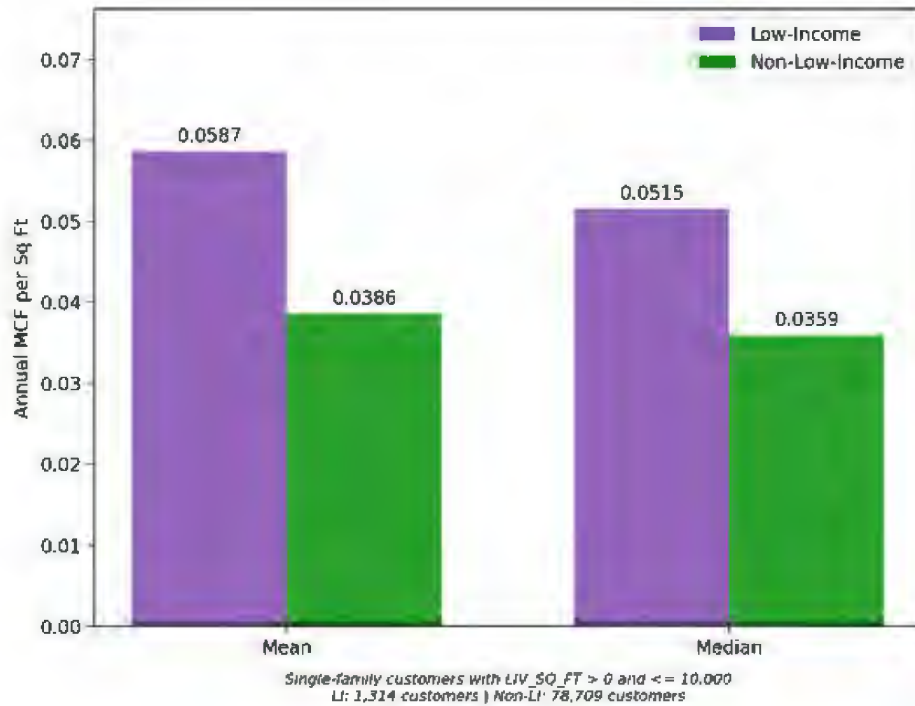
11 segments were estimated. The energy intensity analysis revealed that the LI

12 customer segment tends to use more natural gas per square foot compared

13 to the GR customers, reinforcing the benefits of the Company's

1 weatherization program that can impact the efficiency and energy intensity
2 of dwellings. I have summarized this information in Figure 4 below.

3 **Figure 4 – Residential Usage Intensity**



4

5 **Q: What can you conclude from this analysis?**

6 **A:** The usage characteristics of Columbia’s residential customers demonstrate
7 a similar usage pattern for most customers with an observable seasonal
8 trend for gas heating. This characteristic is present both for LI customers
9 and non-LI GR customers. A key difference is the level of average usage
10 between these two customer segments with the LI customers using, on
11 average for 2025, approximately 43% when looking at mean and-52% when
12 looking at median, greater volumes of gas than the non-LI GR customers
13 and the differential persists when looking at overall usage and on a monthly

1 basis. This means that during the heating months, the LI customers are
2 experiencing greater volumes than the non-LI GR customers and can see a
3 greater seasonal volatility of bills due to the volumetric rate design. Upon
4 examination, one potential cause for these phenomena is that the LI
5 customers experience a usage per square foot of living space that is
6 approximately 52% greater than the GR customers, indicating the energy
7 intensity of LI dwellings are higher (e.g., less efficient, different household
8 sizes/demographics). Taking all of this information together indicates that
9 residential customers, including LI customers, will benefit through reduced
10 month-to-month bill volatility from a rate design that reduces the amount
11 fixed costs recovered through the volumetric charge as much as possible.

12 **V. DETERMINATION OF PROPOSED CLASS REVENUES**

13 **Q: Please describe the approach followed to allocate Columbia's proposed**
14 **revenue increase of \$35,968,302 to its customer classes.**

15 **A:** As just described, the apportionment of revenues among customer classes
16 consists of deriving a reasonable balance between various criteria or
17 guidelines that relate to the design of utility rates. The various criteria that
18 were considered in the process included: (1) cost of service; (2) class
19 contribution to present revenue levels; and (3) customer impact

1 considerations. These criteria were evaluated for Columbia's customer
2 classes.

3 **Q: Did you consider various class revenue options in conjunction with your**
4 **evaluation and determination of Columbia's interclass revenue proposal?**

5 A: Yes. Using Columbia's proposed revenue increase, and the results of its
6 COSS, I evaluated options for the assignment of that increase among its
7 customer classes and, in conjunction with Columbia's personnel and
8 management, decided upon one of those options as the preferred resolution
9 of the interclass revenue issue. The benchmark option that I evaluated under
10 Columbia's proposed total revenue level was to adjust the revenue level for
11 each customer class so that the revenue-to-cost for each class was equal to 1.00
12 (Unity), as shown in Attachment RJA-3, Class Revenue Apportionment,
13 under *Revenues at Equalized Rates of Return*. As a matter of judgment, it was
14 decided that this fully cost-based option was not the preferred solution to the
15 interclass revenue issue. This decision was also made in consideration of the
16 Bonbright rate design criteria discussed earlier. It should be pointed out;
17 however, that those class revenue results represented an important guide for
18 purposes of evaluating subsequent rate design options from a cost-of-service
19 perspective.

1 A second option I considered was assigning the increase in revenues
2 to Columbia's customer classes based on an equal percentage basis of its
3 current non-gas revenues (see *Scenario B, Equal Percentage Increase on Gas*
4 *Service Revenue*, in Attachment RJA-3). By definition, this option resulted in
5 each customer class receiving an increase in revenues. However, when this
6 option was evaluated against the COSS results (as measured by changes in
7 the revenue-to-cost ratio for each customer class); there was no movement
8 toward cost for most of Columbia's customer classes (*i.e.*, there was no
9 convergence of the resulting revenue-to-cost ratios towards unity). In fact, the
10 disparity in cost responsibility between the classes was widened. Together
11 with the fully cost-based option, it defined a range of results that provides
12 further guidance to develop Columbia's class revenue proposal.

13 **Q: What was the result of this process?**

14 A: After further discussions with Columbia, the Company concluded the second
15 option, *Scenario B, Equal Percentage Increase on Gas Service Revenue*, was the
16 preferred solution to the interclass revenue issue. The resulting class rates of
17 return are shown in Table 2 below.

1

Table 2 – Class Rates of Return at Proposed Rates

Customer Class	Rate of Return at Current	Rate of Return at Proposed
GS Residential	1.68%	5.86%
GS Other	7.79%	12.65%
IUS	9.34%	14.07%
DS-ML	88.88%	112.64%
DS-IS	7.59%	12.10%
System Total	3.75%	8.15%

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In summary, the Company's preferred revenue allocation approach resulted in meaningful movement of the GS-Residential class revenue-to-cost ratio to 0.91, toward a range of reasonableness to unity or 1.00, while requiring an equivalent percentage of revenue increase responsibility from all customer classes for the Company's proposed total revenue requirement. From a class cost of service standpoint, this type of revenue to cost responsibility for all classes approximated their prior parity ratio levels under current rates and no reduction in the existing interclass rate subsidies.

11

VI. COLUMBIA'S RATE DESIGN PROPOSALS

12

Q: What is Columbia's vision for its rate design?

13

A: Based upon the principles of sound rate design discussed earlier, the Company envisions a rate design that aligns its (revenue allocation and) rate design with its cost of service (i.e., cost-based rates). In doing so, this

14

15

1 will better ensure that customers are paying for their cost of energy services
2 and result in Company rates that are more equitable, understandable, lead
3 to more stable utility bills, and send the appropriate price signals to its
4 customers which also promotes rational conservation.

5 From the perspective of the customer, cost-based rates provide a
6 more reliable means of determining future levels of natural gas costs. If
7 rates are based on factors other than the cost to serve, it becomes much more
8 difficult for customers to translate expected utility-wide cost changes, such
9 as expected increases in overall revenue requirements, into changes in the
10 rates charged to particular customer classes and to customers within the
11 class. For larger customers, this situation reduces the attractiveness of
12 expansion, as well as continued operations, in the utility's service territory
13 because of the customer's limited ability to plan and budget for future
14 natural gas costs.

15 From the perspective of the utility, when rates are closely tied to
16 costs, the impact on the utility's earnings due to changes in customer usage
17 patterns will be minimized. Rates that are designed to track changes in the
18 level of costs result in revenue changes that mirror cost changes. Thus, cost-
19 based rates provide an important enhancement to a utility's earnings
20 stability, reducing its need to file for frequent rate increases. A key element

1 within cost-based rate design is a Straight-Fixed-Variable ("SFV")
2 characteristic, which perfectly aligns fixed costs - costs that do not change
3 with energy usage - with fixed charges and variable costs - costs that do
4 change due to energy usage - with variable charges. However, the
5 Company recognizes that this vision is a departure from current practice
6 and should be implemented over the course of a few rate proceedings.

7 **Q: Please summarize the rate design changes Columbia has proposed in this**
8 **rate proceeding.**

9 A: In general, Columbia's rate design strategy is to update rates to be more
10 cost-based, to better reflect the Company's cost of providing natural gas
11 distribution service to its customers by increasing the recovery of customer
12 and demand-related costs through fixed charges.

13 The current residential fixed charge of \$21.25 per month recovers
14 39% of customer related costs, resulting in volumetric rates that exceed the
15 cost of providing gas distribution services. The Company has proposed
16 monthly customer charges at levels that reflect movement toward each
17 customer class's full customer-related cost responsibility with a
18 compensating decrease to volumetric rates. The Company utilized the
19 Customer Based Costs analysis from the COSS to identify costs related to
20 providing both monthly distribution service to customers (customer related

1 costs) and annual levels of distribution capacity (demand related costs). The
2 level of customer related costs is shown for the Residential class of
3 customers in the Unit Cost Analysis to be \$52.81 per customer per month
4 and the combined customer and demand related costs to be \$76.65 per
5 customer per month.

6 For GS-Other customers, the Company has proposed to increase
7 both the monthly customer charge and the volumetric rates in
8 approximately the same proportion of the proposed increase for each
9 GSO/GTO/GDS rate schedule.

10 **Q: Why is setting customer charges in alignment with the fixed cost of**
11 **service an important outcome of ratemaking?**

12 A: These proposed customer charges help to reduce customer bill volatility,
13 alleviate a significant portion of the instability in the Company's margin
14 recovery, are fair to customers, are easily understood, convey more
15 appropriate price signals with respect to recovery of fixed distribution
16 costs, benefit low-income customers that have higher than average use, and
17 are not regressive in application to low-income customers who may have
18 little control over their use of energy by recovering more in volumetric
19 charges. Establishing higher monthly fixed charges helps to equalize the
20 contribution each customer within a class makes towards recovery of the

1 fixed costs attributable to this class. This method of cost recovery is
2 preferable to including such costs in the volumetric block prices, which has
3 the effect of causing some customers to pay too much while others pay too
4 little.

5 The fixed customer charges provide for recovery of a portion of the
6 Company's fixed costs, which are incurred solely because of the existence
7 of customers connected to the system. These costs, such as the expense of
8 reading meters and billing, occur regardless of whether natural gas is used
9 and are not related to demands placed on the system. The proposed
10 customer charge increases will also help to ensure recovery by the
11 Company of a greater portion of its fixed costs of providing service.
12 Inasmuch as costs are not related to usage, they should be recovered to the
13 extent possible through a tariff mechanism that does not depend upon
14 volumetric billing.

15 In terms of understandability, customers easily understand fixed
16 cost charges and are used to these pricing structures in their everyday lives.
17 Because these costs do not vary with the customer's usage, it is perfectly
18 understandable that the charge should not vary as well. It is intuitively
19 obvious that a customer should not pay more for being a customer when

1 the weather is hot and conversely should not pay less when the weather is
2 cold.

3 **Q. What criteria were utilized to determine whether a \$32.00 customer**
4 **charge for the residential customers is appropriate?**

5 A. The residential class does not have a demand charge, so all distribution
6 margin revenues are recovered through either the monthly customer
7 charge or the volumetric charge. This is nearly universal across the utility
8 industry, where some commercial and industrial rate classes may have
9 demand charges but rarely are they present or introduced for residential
10 customers. Introducing a demand charge for residential customers is not
11 viable given current billing processes, and concerns relating to
12 administrative billing complexity and customer understanding. Given the
13 discussion above relating to the fixed cost nature of Columbia's costs and
14 the usage pattern of low-income customers, the Company is proposing a
15 higher customer charge, balancing the principles of rate design discussed
16 earlier (e.g., fairness, stability, and consumer rationing/economic
17 efficiency). After reviewing the current level of the customer charge for
18 residential customers at \$21.25, and the relative unit cost for customer
19 related and demand related costs, it was determined a reasonable
20 movement is a \$32.00 monthly customer charge for residential customers.

1 This allows some of these fixed distribution costs to be recovered through
2 a fixed monthly customer charge rather than a volumetric charge, without
3 introducing a demand charge for residential customers. The \$32.00
4 customer charge was derived by recovering the proposed increase to the
5 residential class fully from the customer charge with only a modest change
6 to the volumetric charge to account for rounding.

7 **Q: Please describe why an increase to the customer charge is important.**

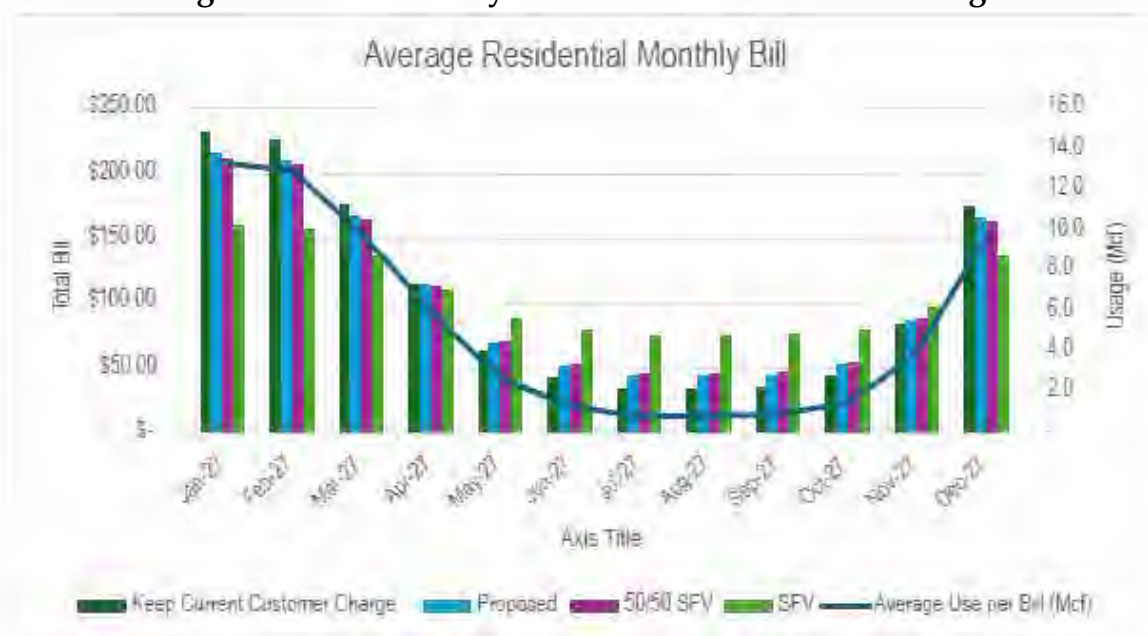
8 **A:** This becomes particularly important when a customer considers different
9 options relating to alternative fuels and investments in conservation and
10 energy efficiency, as these decisions are fundamental functions of usage.
11 These decisions can be distorted when non-usage-related fixed costs are
12 collected on a usage basis. Further, without proper price signals, the
13 economic markets that comprise materials, goods, and services that are
14 inputs and outputs to energy products and services are distorted.
15 Consequently, companies and people cannot make the proper decision to
16 maximize their preferences on allocating their limited resources of time and
17 money. It is economically inefficient when fixed distribution costs are
18 recovered on a usage basis, and customers implement energy efficiency
19 measures reducing their contribution to fixed costs with no corresponding
20 reduction in the fixed costs of providing service. In short, incorrect pricing

1 results in an incorrect price signal for which consumers may act, resulting
2 in savings for a customer that does not align with decreased costs to the
3 system.

4 **Q: Do fixed monthly charges allow for greater predictability in household**
5 **budgets?**

6 **A:** Yes. Aligning the utility bills to mimic the way those costs are incurred
7 (similar to car payments and vehicle fuel) will provide a greater
8 understanding of utility bills, reduce volatility, and allow for easier
9 household budgeting due to the enhanced predictability of utility service
10 costs. Figure 4 below shows the average monthly bill for base rate costs and
11 cost of gas usage for a typical residential customer under a range of revenue
12 neutral customer and volumetric charge combinations. It is easy to observe
13 the month-to-month variations is greater in customer bills when more fixed
14 costs are recovered through the volumetric rate rather than a fixed customer
15 charge. The amount of the bill related to utility fixed costs becomes more
16 consistent from month to month as well.

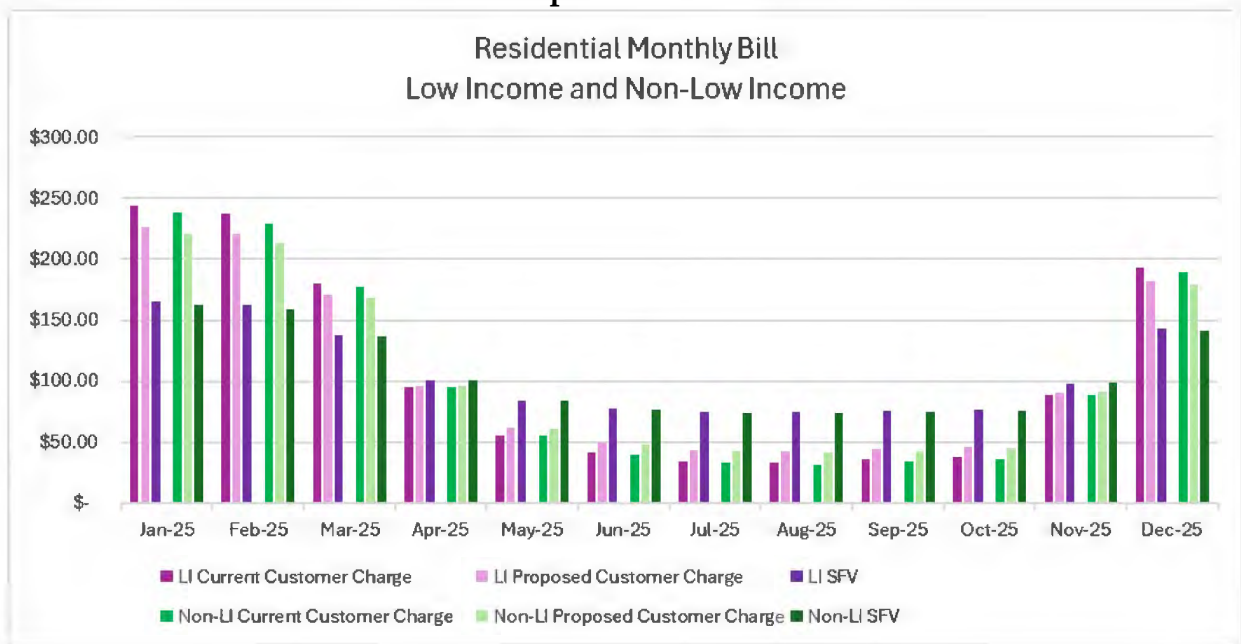
Figure 4 – Bill Stability Benefits of Increase Fixed Charge



Q: How will the Company's proposal impact the average low-income customer?

A: As discussed above, the average low-income customer uses less natural gas than the average non-low-income residential customer. Both low-income and non-low-income residential customers have similar seasonal usage patterns. Figure 5 below provides a similar look at the bill stability benefits of different customer charges for low-income and non-low-income customers. Both low-income and non-low-income customers will see greater bill stability under a rate design with higher recovery of fixed costs through a customer charge.

Figure 5: Bill Stability Benefits of Increase Fixed Charge Low Income compared to non-LI



Q: Why is it reasonable to recover fixed costs through fixed charges for residential customers?

A: The vast majority of household expenses are fixed costs that allow for easier budgeting by households. For example, following is a list of common household expenses that are typically paid as a fixed monthly charge:

- Mortgage or Rent: Monthly payments for your home.
- Property Taxes: Often included in mortgage payments or paid separately.
- Homeowners or Renter's Insurance: Regular premiums for protecting your home and belongings.
- Internet and Cable: Monthly fees for internet and cable television services.
- Phone Bills: Costs for landline or mobile phone services.

- 1 • Car Payments: Monthly installments for car loans or leases.
- 2 • Car Insurance: Regular premiums for vehicle insurance.
- 3 • Health Insurance: Monthly premiums for medical coverage.
- 4 • Day Care / Child Care / Tuition: Monthly fees for childcare,
- 5 school, etc.

6 These expenses are paid through fixed monthly or periodic charges.

7 Additionally, another characteristic of these services is that the expenses
8 must be paid ahead of (or contemporaneously with) the delivery of the
9 service, not after the fact.

10 Not included in this list are expenses for electric, gas and water utility bills
11 (while cable and internet are included), food and vehicle fuel, while
12 discretionary, are necessities for most households.

13 **Q: How does the proposed customer charge for residential customers**
14 **compare to similar fixed fees for other essential services?**

15 A: The proposed increase in the customer charge aligns with the structure of
16 other essential services that customers regularly pay for such as internet,
17 TV, and mobile phone services. These industries typically charge flat
18 monthly fees that cover infrastructure, maintenance, and service
19 availability, regardless of usage levels.

1 For example, a standard internet service plan in the Lexington area
2 includes a fixed charge ranging from \$24.99 to \$90³ per month, covering
3 network access and service availability, and may also include equipment
4 and customer support, regardless of how much data is used. Similarly,
5 cable and satellite television providers charge a flat monthly fee ranging
6 from \$45 to \$175⁴ for service availability, with tiers based on the number of
7 channels and programming packages selected. Cellphone service providers
8 also follow a similar model, where customers pay a fixed monthly fee
9 ranging from \$50 to \$90⁵ per line for access to the wireless network,
10 customer support, and related services, regardless of the level of usage in
11 any given month. Natural gas service operates similarly, requiring a stable
12 infrastructure to ensure uninterrupted service to all customers, regardless
13 of individual usage patterns.

³ [Spectrum \(fiber\) \\$30-\\$70 per month \[https://www.spectrum.com/locations/internet-wifi-service/lexington-ky-i172\]](https://www.spectrum.com/locations/internet-wifi-service/lexington-ky-i172); [Metronet \(fiber\) \\$60-\\$80 per month \[https://metroconet.com/city/lexington\]](https://metroconet.com/city/lexington); [Kinetic \(fiber\) \\$24.99-\\$89.99 per month \[https://www.gokinetic.com/locations/ky/lexington\]](https://www.gokinetic.com/locations/ky/lexington); [AT&T \(fiber\) \\$45-\\$70 per month \[https://www.att.com/local/internet/kentucky/lexington\]](https://www.att.com/local/internet/kentucky/lexington); [T-Mobile \(fiber\) \\$55-\\$85 per month \[https://www.t-mobile.com/home-internet/fiber/city/ky/lexington\]](https://www.t-mobile.com/home-internet/fiber/city/ky/lexington).

⁴ [Spectrum \(cable & streaming hybrid\) \\$45-\\$175 per month \[https://www.spectrum.com/locations/tv-streaming-service/lexington-ky-t172\]](https://www.spectrum.com/locations/tv-streaming-service/lexington-ky-t172); [DirecTV \(satellite\) \\$89.99-\\$169.99 per month \[https://www.directvplans.com/packages\]](https://www.directvplans.com/packages); [DISH Network \(satellite\) \\$89.99-\\$119.99 per month \[https://www.dish.com/availability/ky/lexington\]](https://www.dish.com/availability/ky/lexington).

⁵ [Verizon \\$65-\\$90 per month \[https://www.verizon.com/plans/unlimited/\]](https://www.verizon.com/plans/unlimited/); [AT&T \\$50-\\$90 per month \[https://www.att.com/plans/wireless/\]](https://www.att.com/plans/wireless/); [T-Mobile \\$55-\\$90 per month \[https://www.t-mobile.com/cell-phone-plans\]](https://www.t-mobile.com/cell-phone-plans).

1 **Q: Do gas utility bills stand out as an exception to the remainder of the non-**
2 **fixed monthly expenses?**

3 A: Yes. The utility costs, as I described earlier in my testimony, are
4 predominantly fixed costs, the only variable component is the natural gas
5 commodity itself. This is analogous to a number of items above. Most
6 notably, car payments or lease payments provide access to a vehicle but in
7 order to drive it, one must still pay the variable fuel cost. This is virtually
8 identical to the fixed and variable components of the utility system,
9 whereby the fixed costs provide customers access to a reliable utility system
10 capable of delivering natural gas reliably upon demand from any customer,
11 and the variable cost covers the fuel needed when a customer desires to use
12 the system. However, the Company's current rate design does not
13 recognize this fact and places fixed cost recovery in a variable use charge.
14 The remainder of the items listed as non-fixed costs are still known costs
15 but are completely discretionary in terms of the magnitude of the expense.
16 A key difference for these items when compared to utility bills relates to the
17 utility's obligation to serve and the fixed expense incurred associated with
18 that obligation.

19 **Q: Please expand on why higher customer charges would benefit low-**
20 **income customers.**

1 A: There is a common misconception that low-income customers are low-
2 usage customers. This is not a correct characterization of low-income
3 customers who have similar average annual usage profiles as the non-low-
4 income residential customers. As the data analysis previously discussed
5 shows, the 2025 average use for a LI customer is 63.9 Mcf/year. This is 3%
6 lower than the 2025 average GR customer use of 65.7 Mcf/year.

7 Also, all else equal, higher customer charges necessitate lower
8 variable charges. The collection of costs through fixed or volumetric charges
9 is the only means of collecting the revenue to cover costs for a specific
10 customer class. The amount of total revenue target for the class does not
11 change, just which component is designed to recover what portion of the
12 total revenue target. Higher usage customers pay more when more fixed
13 customer costs are embedded in the volumetric rates. This creates an intra-
14 class subsidy transfer concern, as customers who can afford to reduce their
15 usage through energy efficiency investments can decrease their bills by
16 making such investments, while those customers who cannot afford to
17 make energy efficiency investments will see increases in their bills.

18 Further, recovering fixed costs in volumetric charges places
19 regressive burdens on low-income households who have to make decisions
20 to reduce their gas usage that impacts their quality of life. Recovering fixed

1 costs in volumetric charges increases the burden on some vulnerable
2 households during the coldest months, forcing some households to make
3 tough decisions. These households might choose between gas use for basic
4 human needs, such as heat, hot water and cooking or other choices that add
5 value to their lives (i.e., food, medical care, clothing).

6 Columbia offers a suite of targeted low-income programs, including
7 Low-Income Home Energy Assistance Program (“LIHEAP”), Energy
8 Assistance Program (“EAP”), and donation based WinterCare.⁶ There is no
9 reason to send the wrong price signal to all customers when the impacts on
10 low-income customers are mixed (i.e., their ability to respond to higher
11 variable charges, the lower quality of living they may choose to respond to
12 higher variable charges, and the fact that low-income customers that with
13 higher than average usage will disproportionately be impacted by higher
14 variable charges) and when there are programs in place that offer assistance
15 for low-income customers.

16 **Q: Please expand on the social inequity and regressive nature of recovering**
17 **fixed costs in a volumetric charge.**

⁶ [Income-Eligible Assistance Programs - Columbia Gas of Kentucky](https://www.columbiagasky.com/bills-and-payments/financial-support/income-eligible-assistance-programs)
[https://www.columbiagasky.com/bills-and-payments/financial-support/income-eligible-assistance-programs]

1 A: When certain aspects that drive how and when a customer uses energy are
2 more rigid, it limits how those customers can shift and/or reduce energy
3 consumption - such as a rental tenant not being able to alter the appliances
4 or weatherize/improve insulation in a dwelling. In this case, the tenant has
5 no choice but to accept the inefficiencies of the rental. Also, the number and
6 nature of household members impacts flexibility that could limit the ability
7 of customers to respond to volumetric rates. It is also important to note that
8 low-income households tend to choose to respond to volumetric prices by
9 reducing their energy load to save money, at times when energy is most
10 important to their standard of living. In July 2024, JPMorgan Chase released
11 a research paper that analyzed how households manage their electricity
12 bills and other spending when faced with hot weather. The primary finding
13 is that “low-income households primarily manage high electricity bills in
14 hot months by using less air conditioning and enduring more heat (and) the
15 health costs of under-cooling likely exceed the amount households save on
16 their electricity bills.”⁷ The same logic and implications apply to low-
17 income households faced with volumetric charges for gas distribution
18 service during periods of cold weather. The report also reiterates the points

⁷ JPMorgan Chase & Co. (July 18, 2024). How households manage high air conditioning bills. Retrieved from <https://www.jpmorganchase.com/institute/all-topics/financial-health-wealthcreation/how-households-manage-high-air-conditioning-bills>

1 made earlier that low-income homeowners may find it difficult to make
2 energy efficiency and weatherization investments because of the high
3 upfront costs, and “low-income renters are very unlikely to make these
4 investments because the value of the capital investment will accrue to the
5 landlord.” This usage relationship is evidenced in an article by the U.S.
6 Department of Energy that outlines high consumption as a key factor to the
7 energy burden placed on low-income households.⁸ In short, recovering
8 fixed costs in a volumetric charge places an undue burden on low-income
9 customers, who use more than average energy and choose to respond in
10 ways that reduce their standard of living, resulting in social inequities and
11 regressive outcomes with no benefit to other ratepayers, society, or the
12 Company.

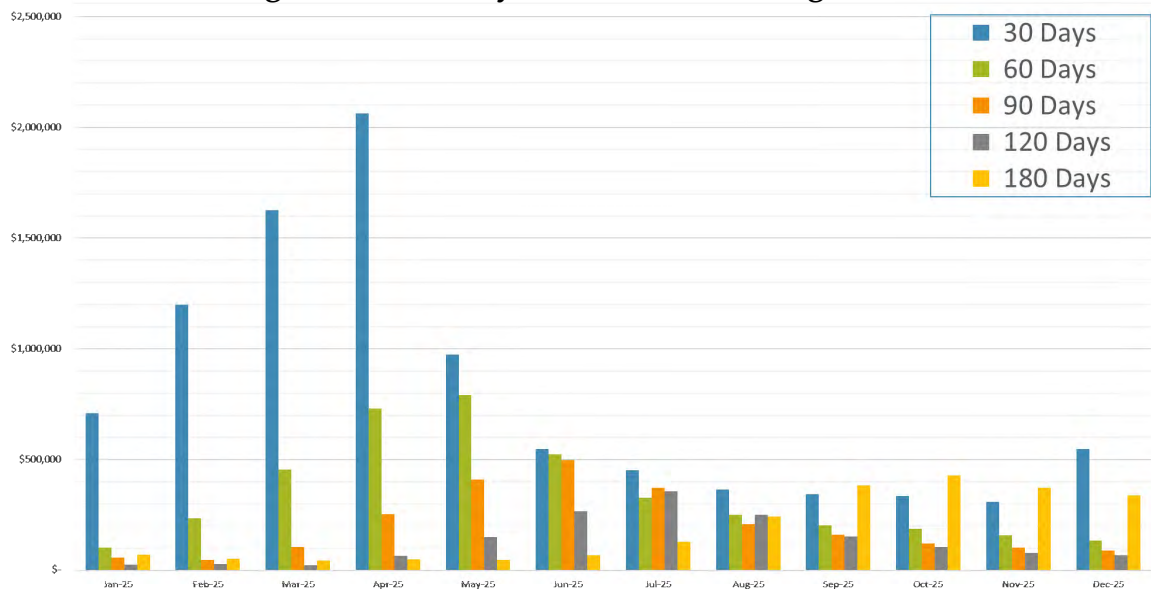
13 **Q: What does the Company’s arrearage data show about when customers**
14 **struggle most to pay their bills?**

15 **A: Figure 6 below provides the monthly residential arrears data for the**
16 **Company and demonstrates a clear seasonal pattern; arrears increase**
17 **materially during the winter heating season. As customer usage rises in**
18 **response to cold weather, so do bills, and a growing portion of customers**

⁸ See “Low-Income Household Energy Burden Varies Among States — Efficiency Can Help In All of Them” by U.S DOE https://www.energy.gov/sites/prod/files/2019/01/f58/WIP-Energy-Burden_final.pdf

1 fall behind on payments. This demonstrates that affordability challenges
2 are most acute precisely when heating demand is highest and least
3 discretionary.

4 **Figure 6 – Monthly Residential Arrearage Data**



5
6 **Q: How does the current volumetric rate design contribute to this outcome?**

7 **A:** The current rate design recovers a significant portion of fixed distribution
8 costs through volumetric charges, which causes customer bills to increase
9 sharply during the winter months. Because these costs are embedded in
10 usage-based rates, customers pay more at the exact time when they have
11 the least ability to reduce consumption. This concentrates cost recovery into
12 periods of peak financial stress and contributes directly to the observed
13 increase in arrearages.

14 **Q: Does this support the notion that volumetric pricing sends an effective**

1 **price signal?**

2 A: No. For many customers, particularly low-income households, winter
3 energy usage is largely inelastic. As discussed in my testimony, these
4 customers often lack the ability to materially reduce usage due to housing
5 constraints, household needs, or lack of access to efficiency improvements.
6 Instead of responding to higher prices through meaningful reductions in
7 consumption, many customers respond by falling behind on their bills. This
8 indicates that the price signal is not functioning as intended.

9 **Q: What is the most concerning outcome associated with this dynamic?**

10 A: The most concerning outcome is that the so-called “price signal” can lead
11 to reductions in essential energy usage that come at the expense of health
12 and quality of life, such as under-heating a home, while still leaving
13 customers with elevated bills and increasing arrearages. In other words,
14 vulnerable households may both consume less than what is needed for a
15 reasonable standard of living and still be unable to keep up with their bills
16 due to the structure of volumetric cost recovery. This reinforces the
17 regressive nature of the current design and aligns with the broader
18 evidence that recovering fixed costs through volumetric charges places
19 disproportionate burdens on low-income customers.

20 **Q: What does this imply for appropriate rate design?**

1 A: It implies that recovering a greater portion of fixed distribution costs
2 through fixed charges would better align rates with cost causation and
3 reduce the seasonal bill spikes that drive arrearages. Doing so would
4 moderate winter bill volatility, reduce financial stress on vulnerable
5 customers, and avoid the unintended and inequitable outcomes associated
6 with reliance on volumetric recovery.

7 Q: Have other jurisdictions recently recognized the impact of recovering
8 fixed costs through volumetric charges on low-income customers?

9 A: Yes. Most recently, in its order in the Docket Cause No. 45990 issued on
10 February 3, 2025, the Indiana Utility Regulatory Commission recognized
11 the following:

12 (...) we are persuaded by witness Taylor's evidence
13 that frequently low-income customers are harmed by
14 recovery of fixed costs through a volumetric charge.
15 We are further persuaded that the TDSIC
16 [Transmission, Distribution, and Storage System
17 Improvement Charges] distribution costs should
18 continue to be recovered through a fixed charge. These
19 are fixed costs, and recovery through a volumetric
20 charge would send inefficient price signals and would
21 work to the detriment of those low-income customers
22 who are higher volume users. [Section xi.6,
23 Commission Discussion and Findings, page 113].

24 Q: Has the Company prepared a detailed comparison of the Company's
25 present and proposed rates and resulting revenues by rate class?

26 A: Yes. This is discussed and provided in the next section of testimony.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Direct Testimony of Vincent V. Rea (Rea Direct Testimony) at page 4-5.

Explain which of the utilities contained within the "Combination" or "Non-Regulated" Proxy Groups have a residential customer charge at or above the amount proposed by Columbia Kentucky in this case.

Response:

As an initial matter, comparing residential customer charges of other utilities is an "apples-to-oranges" comparison as each utility has a unique cost of service associated with the service territory, assets, and customer base. Moreover, other recovery mechanisms impact the cost of service – for example, unlike Columbia, most of the utilities in the Combination Utility Group utilize revenue decoupling mechanisms to aid in stabilizing revenues. Nevertheless, with this understanding, within the Combination Utility Group, Consolidated Edison of New York, has a \$33.23 fixed residential monthly charge for its gas operations.

The Non-Regulated Group is not comprised of utilities and therefore do not have regulated customer service charges pursuant to publicly filed cost of service studies.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Columbia Kentucky's response to Commission Staff's First Request for Information (Staff's First Request), Item 11, Attachment A, Confidential.

- a. Provide the basis (numerator and denominator) for the allocation percentages shown effective August 2024, February 2025, and August 2025.
- b. Provide the allocation percentages and the basis for those allocation percentages (numerator and denominator), effective August 2022, February 2023, August 2023, and February 2024.
- c. Confirm that the allocation percentages are effective starting the 1st of the month shown, e.g., August 2024 allocation percentages are in effect starting August 1, 2024. If not confirmed, indicate when the provided allocation factors went into effect.
- d. Describe why, within each allocated entity column, the allocation percentages will change by billing pool within a single allocation basis.

Response:

- a. and b. Please see Response to Staff's Third Request for Information, Item 34, Attachment A, Confidential which contains the information used to calculate the

derivation of the requested percentages. Columbia is willing to attend a technical conference to discuss how the percentages in Item 11 were calculated based on the information found in Item 34.

- c. Yes, the allocation percentages are effective starting the first of the month.
- d. The billing pools were established to allocate expenses to a determined set of NiSource Operating Companies. As an example, billing pool 00AD would only be utilized when benefitting the NiSource Operating Companies in Kentucky, Maryland, Ohio, Pennsylvania and Virginia whereas billing pool 00AG would be used when all of NiSource Operating Companies, excluding GenCo and NCSC, are the beneficiaries. Additionally, certain allocation bases contain multiple billing pools that require different underlying data sources for rate development. For example, under Basis 13 (Space Allocator), billing pool 00MA is calculated using Southlake building occupancy data, while billing pool 00MZ is calculated using Arena District building occupancy data.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Columbia Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 29, Attachment A, page 7 at the line "Grand Total." Describe the drivers behind the approximately \$4.5 million increase in costs allocated to Columbia Kentucky from NiSource Corporate Services Company (NCSC) from 2023 to 2024. Quantify in the response the share of the \$4.5 million increase that is a result of the increase in the allocation percentage to Columbia Kentucky as compared to an increase in the overall level of NCSC expense being allocated.

Response:

Of the \$4.5 million increase, \$1.2 million was direct billed to Columbia and included Outside Services, as well as labor and associated benefits related to Regulatory support during 2024. However, this increase in Outside Services direct billed to Columbia is offset by other reductions for items like Property Tax. The remaining \$3.3 million of incremental NCSC costs from 2023 to 2024 was comprised of approximately \$1.3 million in Benefits; \$1.0 million in Labor; and \$0.7 million of Outside Services that was allocated to Columbia.

Direct Billed amounts are defined as expenses billed to Columbia where Columbia is the sole beneficiary. Allocated expense amounts are defined as expenses that are shared between two or

more NCSC affiliates. While Columbia's share of NCSC allocated costs reduced by 0.02% from 2023 to 2024, the overall amount of costs increased.

KY PSC Case No. 2026-00099
Response to Staff's Data Request Set Four No. 6
Respondents: George B. Jonda and Elizabeth N. Davis

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Columbia Kentucky's response to Staff's Second Request, Item 29, Attachment A. Provide the NCSC total expense that was allocated to Columbia Kentucky by allocation basis and FERC account in the same format as Attachment A to Staff's Second Request, Item 29.

Response:

Please refer to 2026-00099_PSC_Staff_DR_Set_4_No_06_Attachment_A for NiSource Corporate Service Company ("NCSC") billed to Columbia O&M unadjusted Actuals as per Columbia's book of record by Basis, Billing Pool and FERC Account for calendar years 2023 through 2025 and the Base Period Actuals (September 2025 through February 2026).

**ATTACHMENT A
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SEPARATELY**

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Provide general ledger detail for each NCSC expense subject to allocation to Columbia Kentucky, including transaction date, amount, expense type, expense category, source cost center, and a narrative description sufficient to determine the business purpose of each entry.

Response:

Please refer to 2026-00099_PSC_Staff_DR_Set_4_No_7_Attachment_A, which provides the Excel Power Query that summarizes the raw actual general ledger transaction of Columbia's Operations and Maintenance ("O&M") expense actuals per book NiSource Corporate Service Company ("NCSC") billed to Columbia for Calendar Year 2025. The tab named "Lead" includes a description of the information contained in each subsequent tab, as well as a reconciliation to Table GJB-1 in the Direct Testimony of Witness Jonda.

Please also refer to 2026-00099_PSC_Staff_DR_Set_4_No_7_Attachment_B, which provides a description for each charge department and its correlation to the Service Category (aligning with the NCSC Service Agreement).

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**ATTACHMENT B
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Application, pages 2-3 where Columbia Kentucky discusses the roll-in of Safety Modification and Replacement Program (SMRP) investment to base rates.

- a. Describe the process Columbia Kentucky follows to roll SMRP investment into rate base and ensure there is no double recovery at any time across the SMRP rider and base rates.
- b. Explain, when the 2023 and 2024 SMRP investments are rolled into base rates, the time period of SMRP investments will continue to be collected with utilizing the rider.
- c. Describe the accounting procedures used for excluding 2025 and forward SMRP costs from base rates.

Response:

- a. The amount of 2023 and 2024 SMRP investments to be rolled into base rates and simultaneously removed from the SMRP rider is the net plant amount originating from the 2023 and 2024 SMRP work that is currently included in the SMRP Rider. 2026-00099_PSC_Staff_DR_Set_4_No_8_Attachment_A reflects how the removal of 2023 and 2024 SMRP investments, including all associated amounts in Forms 2.0 through 7.0 of the SMRP Rider filing formats, will be addressed. By way of comparison, 2026-00099_PSC_Staff_DR_Set_4_No_8_Attachment_B shows what the SMRP Rider filing

formats with the 2023 and 2024 investments would look like if 2023 and 2024 were still included—the rates on Form 1.0 are the rates most recently approved by the Commission in Case No. 2026-00083. If the Commission accepts Columbia’s proposal, new base rates and new SMRP rates (which would track the process set forth in 2026-00099_PSC_Staff_DR_Set_4_No_8_Attachment_A) will be established at the conclusion of this case. This ensures there is no double recovery of SMRP investments at any point in time. If the Commission does not approve Columbia’s proposal the SMRP Rider rates will not change at the conclusion of this case.

- b. When the 2023 and 2024 SMRP investments are rolled into base rates, the resulting change in the SMRP Rider rate will continue to collect only the 2025 and 2026 SMRP investments and associated amounts. Going forward, the 2025 SMRP investments will serve as the beginning balances for all forms in future SMRP Rider applications.
- c. The 2025 and forward SMRP investments associated with 2026 and 2027 have been removed from total Company gas plant in-service by FERC gas plant account on Schedule B-1 and corresponding support schedules. Specifically, the SMRP plant additions, retirements, depreciation reserve (including accumulated depreciation and depreciation expense) and accumulated deferred income taxes (“ADIT”) associated with 2025 through 2027 are subtracted from the total Company plant in service on Schedule B-1 and supporting schedules. As a result, Schedule B-1 reflects total Company plant in-service less the 2025 through 2027 SMRP plant in-service.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Columbia Kentucky's response to Staff's Second Request, Item 34 where it shows the detail for the forecasted \$23.3 million in "betterment" capital investment for the 2027 FTY.

- a. Define "betterment" with specific project examples.
- b. Explain whether any "betterment" projects are also included in the SMRP.
- c. Explain whether Columbia Kentucky includes "betterment" in the scope of any SMRP projects.
- d. Explain whether in the instance when betterment is included in an SMRP project, is the betterment portion of investment costs recovered through base rates or the SMRP rider.
- e. Explain how the forecast of base rate betterment capital investment was developed. Include in the explanation a specific breakdown of the components of the forecasted amount.

Response:

- a. As described in Witness Scott's testimony, betterment includes but is not limited to projects for capacity or compliance (ex: improved reliability); public improvement or mandatory relocation driven by local municipalities; and support services budgets for capitalized tools or equipment, telemetering, remote control, and other distribution communication equipment. The 2027 Forecasted Test Year does not include any individual projects that are

material to the budget by themselves. The largest budget is for emergent leaking pipe not eligible for SMRP recovery and not yet identified.

- b. Betterment is not included within the scope of SMRP projects.
- c. Please see the Company's response to sub-part (b).
- d. Please see the Company's response to sub-part (b).
- e. The betterment budget is based upon historical actuals, inclusive of labor, materials, inflation rate, and restoration components.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Direct Testimony of Chrisley Scott, page 8, lines 12-17 where it shows a planned capital investment forecast of \$102.9 million in 2027. Refer also to Columbia Kentucky's response to Staff's First Request, Item 27, Attachment B where it shows historical annual capital expenditures between approximately \$63 and \$74 million. Describe in detail how Columbia Kentucky intends to execute an approximate 50 percent increase in its capital expenditures in 2027, particularly while holding O&M Expense Flat.

Response:

Columbia's planned 2027 capital investments are in line with its historical annual capital investments. The characterization of a 50 percent increase is an inaccurate calculation. Columbia's annual capital investments are the sum of Columbia's direct capital allocation and Columbia's share of NiSource Corporation Shared Services ("NCSC") capital allocations. Columbia's capital allocation shown in its response to Staff's First Request Item 27, Attachment B is Columbia direct investment. It does not include Columbia's share of NCSC capital investments. My Testimony includes total planned capital investment, meaning Columbia direct and NCSC allocated to Columbia.

KY PSC Case No. 2026-00099
Response to Staff's Data Request Set Four No. 11
Respondents: Linda E. Black

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Provide the monthly historical base rate gross plant and accumulated depreciation balances for 2023 and 2024, respectively.

Response:

Please refer to 2026-00099_PSC_Staff_DR_Set_4_No_11_Attachment_A for the monthly historical base rate gross plant and accumulated depreciation balances for 2023 and 2024.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Provide a variance analysis, by FERC account, of the 2025 future test year (FTY) capital forecast provided and approved in the last rate case, compared to the actual 2025 capital expenditures. As part of the response, provide a variance explanation for any FERC account which has seen a 10 percent or greater increase or decrease from the forecasted amount.

Response:

As noted in the Direct testimony of Witness Scott, the budgeting process for NiSource is a continual management process and performed at the level of categories described in my Testimony. Budgets are not set by FERC account. Columbia updates its budgets throughout the year to reflect changes in capital allocations, which is a practice that is considered normal within the industry as work progresses in the field. Variances are expected based upon the type of work that is performed by a regulated utility because actual assets placed in service must address both planned and unplanned work, such as customer requests (including municipalities), emergency work, and the condition of the assets in the field as well as project planning and development incurred in prior years, placed in service in the Forecasted Test Year.

The table below reflects the budget for 2025 compared to actual expenditures by category. As noted above, variances are expected based upon both planned and unplanned work such as customer requests, including municipalities. While budgets are based upon historical actual volumes for both growth and public improvement, actual expenditures are driven by requests that occurred during 2025 and received funding through the continual management process described above.

Category (dollars in thousands)	Budget \$	Actual \$	Variance \$	Variance %
Growth	11,156	10,631	(525)	(4.7%)
Betterment	14,684	12,013	(2,671)	(18.2%)
SMRP	44,313	39,400	(4,912)	(11.1%)
Shared Services	7,106	9,817	2,711	38.2%
Total	77,259	80,253	2,994	3.9%

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Direct Testimony of Ronald J. Amen (Amen Direct Testimony), Attachment RJA-2, page

22.

- a. Identify all analyses, studies, or workpapers relied upon to conclude that the Customer/Demand Study and the Demand/Commodity Study should be averaged on an equal (50/50) basis.
- b. If the equal weighting reflects judgement, please identify and explain the justification of the judgement applied.

Response:

- a. The 50/50 average of the Customer/Demand and Demand/Commodity studies was based on the methodology used to calculate the "Average" study in Columbia Kentucky's prior rate cases. A 50/50 weighting has been used to determine the "Average" study in each of the Company's last three rate cases. No separate analysis or study was prepared specifically to determine the 50/50 weighting.
- b. The 50/50 weighting reflects judgment based on the Company's historical use of both the Customer/Demand and Demand/Commodity methodologies and the continued presentation of multiple cost-of-service studies. As noted above, the 50/50 weighting has

been used in the Company's last three rate cases. In addition, in Case No. 2021-00183, the Commission directed Columbia Kentucky to continue filing multiple cost-of-service studies. The equal weighting provides a reasonable means of presenting an average result between the two methodologies rather than assigning greater weight to either methodology.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Amen Direct Testimony, Attachment RJA-2, page 22. Explain the cost-causation basis for classifying any portion of Account 376 investment as commodity related.

Response:

No portion of Account 376 investment is classified as commodity related. Under the Demand/Commodity methodology, 100% of Account 376 – Mains is classified as demand-related and is allocated to the customer classes based on an equal weighting of Design Day demand and average demand (or annual throughput). The rationale is that mains investment is associated with serving customers' average throughput requirements as well as meeting peak demand requirements. However, the mains costs do not vary by changes in commodity throughput, therefore the Account 376 investment is classified as 100% demand-related.

KY PSC Case No. 2026-00099
Response to Staff's Data Request Set Four No. 15
Respondents: Ronald J. Amen

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Amen Direct Testimony, pages 22-23. Provide all workpapers associated with the preparation and completion of the zero-intercept study in Excel spreadsheet format with all formulas, rows, and columns unprotected and fully accessible.

Response:

Please refer to 2026-00099_PSC_Staff_DR_Set_4_No_15_Attachment_A.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to Columbia Kentucky's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 58, in which Columbia Kentucky stated that it does not incur any expense when customers make payments via a credit card. Explain why Columbia Kentucky made a ratemaking adjustment to include the residential credit card transaction fees in the forecasted test period when it is not an expense incurred by Columbia Kentucky.

Response:

Columbia made a ratemaking adjustment to include the transaction fees in the forecasted test period in response to feedback from customers that the transactions fees are a chronic pain point. As explained in the testimony of Witness Jonda, inclusion of this adjustment would remove the transaction fee associated with certain forms of Columbia's payment channels thereby ensuring that all payment channels are equally available to customers and improving customer satisfaction with payment options.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Rea Direct Testimony, pages 53-54. Refer also to the Rea Direct Testimony, Attachment VVR-6.

- a. With regard to the three anticipated long-term debt issuances with interest rates of 6.50 percent, explain how the expected interest rates were determined.
- b. Attachment VVR-6 depicts a different embedded cost of long-term debt at August 31, 2026, and December 31, 2027. Provide when, specifically, Columbia Kentucky anticipates the expected issuances to occur. In the response, explain whether the debt issuance titled "6.5000% Notes, due June 30, 2056" has occurred. If so, provide an update to Attachment VVR-6 reflecting the actual Maturity Date, Interest Rate, Principal Value, and Annual Interest Expense for that debt instrument.

Response:

- a. The expected interest rates were determined by adding together the forward 30-Year U.S. treasury yield from Bloomberg and the average historical 30-Year credit spread for BBB+ rated utilities.

- b. Columbia anticipates that the issuances will occur on June 30, 2026, September 30, 2026, and March 31, 2027. The debt issuance titled “6.5000% Notes, due June 30, 2056” did occur. Please see 2026-00099_PSC_Staff_DR_Set_4_No_17_Attachment_A.

ATTACHMENT A

Columbia Gas of Kentucky, Inc.

Actual at February 28, 2026 and Projected at August 31, 2026 and December 31, 2027

Debt Instrument	Maturity Date	Interest Rate	Principal Value	Annual Interest Expense
6.0200% Notes, due December 16, 2030	12/16/2030	6.0200%	10,000,000	602,000
5.7700% Notes, due January 7, 2043	1/7/2043	5.7700%	20,000,000	1,154,000
6.2000% Notes, due December 23, 2043	12/23/2043	6.2000%	20,000,000	1,240,000
4.4300% Notes, due December 16, 2044	12/16/2044	4.4300%	5,000,000	221,500
3.8425% Notes, due September 30, 2046	9/30/2046	3.8425%	31,000,000	1,191,175
4.6436% Notes, due December 31, 2048	12/31/2048	4.6436%	13,000,000	603,668
3.7485% Notes, due December 31, 2049	12/31/2049	3.7485%	15,000,000	562,275
3.1742% Notes, due June 30, 2050	6/30/2050	3.1742%	12,000,000	380,904
3.2720% Notes, due June 30, 2051	6/30/2051	3.2720%	22,000,000	719,840
3.2777% Notes, due September 30, 2051	9/30/2051	3.2777%	22,000,000	721,094
3.2671% Notes, due December 31, 2051	12/31/2051	3.2671%	10,000,000	326,710
4.1243% Notes, due March 31, 2052	3/31/2052	4.1243%	8,000,000	329,944
5.0808% Notes, due June 30, 2052	6/30/2052	5.0808%	18,000,000	914,544
6.2618% Notes, due September 29, 2053	9/29/2053	6.2618%	33,000,000	2,066,394
5.9124% Notes, due June 28, 2054	6/28/2054	5.9124%	5,000,000	295,620
5.3762% Notes, due September 30, 2054	9/30/2054	5.3762%	24,000,000	1,290,288
5.9187% Notes, due December 31, 2054	12/31/2054	5.9187%	10,000,000	591,870
Long-Term Debt at February 28, 2026			\$ 278,000,000	\$ 13,211,826

Embedded Cost of Long-Term Debt	4.75%
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5.9460% Notes, due June 30, 2056	6/30/2056	5.9460%	10,000,000	594,600
Long-Term Debt at August 31, 2026			\$ 288,000,000	\$ 13,806,426

Embedded Cost of Long-Term Debt	4.79%
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6.5000% Notes, due September 30, 2056	9/30/2056	6.5000%	24,000,000	1,560,000
6.5000% Notes, due March 31, 2057	3/31/2057	6.5000%	31,000,000	2,015,000
Long-Term Debt at December 31, 2027			\$ 343,000,000	\$ 17,381,426

Embedded Cost of Long-Term Debt	5.07%
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Columbia Gas of Kentucky, Inc.
Thirteen Month Average through December 31, 2027

Debt Instrument	Maturity Date	Interest Rate	Principal Value	Annual Interest Expense
6.0200% Notes, due December 16, 2030	12/16/2030	6.0200%	10,000,000	602,000
5.7700% Notes, due January 7, 2043	1/7/2043	5.7700%	20,000,000	1,154,000
6.2000% Notes, due December 23, 2043	12/23/2043	6.2000%	20,000,000	1,240,000
4.4300% Notes, due December 16, 2044	12/16/2044	4.4300%	5,000,000	221,500
3.8425% Notes, due September 30, 2046	9/30/2046	3.8425%	31,000,000	1,191,175
4.6436% Notes, due December 31, 2048	12/31/2048	4.6436%	13,000,000	603,668
3.7485% Notes, due December 31, 2049	12/31/2049	3.7485%	15,000,000	562,275
3.1742% Notes, due June 30, 2050	6/30/2050	3.1742%	12,000,000	380,904
3.2720% Notes, due June 30, 2051	6/30/2051	3.2720%	22,000,000	719,840
3.2777% Notes, due September 30, 2051	9/30/2051	3.2777%	22,000,000	721,094
3.2671% Notes, due December 31, 2051	12/31/2051	3.2671%	10,000,000	326,710
4.1243% Notes, due March 31, 2052	3/31/2052	4.1243%	8,000,000	329,944
5.0808% Notes, due June 30, 2052	6/30/2052	5.0808%	18,000,000	914,544
6.2618% Notes, due September 29, 2053	9/29/2053	6.2618%	33,000,000	2,066,394
5.9124% Notes, due June 28, 2054	6/28/2054	5.9124%	5,000,000	295,620
5.3762% Notes, due September 30, 2054	9/30/2054	5.3762%	24,000,000	1,290,288
5.9187% Notes, due December 31, 2054	12/31/2054	5.9187%	10,000,000	591,870
5.9460% Notes, due June 30, 2056	6/30/2056	5.9460%	10,000,000	594,600
6.5000% Notes, due September 30, 2056	9/30/2056	6.5000%	24,000,000	1,560,000
6.5000% Notes, due March 31, 2057	3/31/2057	6.5000%	21,461,538	1,395,000
Thirteen Month Average through December 31, 2027			\$ 333,461,538	\$ 16,761,426

Embedded Cost of Long-Term Debt	5.03%
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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO STAFF'S FOURTH REQUEST FOR INFORMATION
DATED AUGUST 17, 2026

Refer to the Rea Direct Testimony, pages 53-54. Refer also to the Rea Direct Testimony, Attachment VVR-6.

- a. Explain why Columbia Kentucky proposed to use an estimated short-term debt rate based on the one-month Secured Overnight Financing Rate (SOFR Rate) plus an applicable margin and risk premium, rather than known and measurable short-term debt costs. In the response, provide justification for using the proposed estimated short-term debt cost rate.
- b. Provide the calculation for the proposed 5.00 percent cost of short-term debt in Excel spreadsheet format with all columns, formulas, and rows unprotected and fully accessible. In the response, quantify the SOFR Rate used, as well as the applicable margin and risk premium.

Response:

- a. As discussed in pages 53-54 of Witness Rea's direct testimony, Columbia has proposed the use of an estimated short-term debt rate based on the one-month Secured Overnight Financing Rate (SOFR Rate) plus an applicable margin and risk premium because the period in question relates to the Company's fully forecasted test period through December 31, 2027. Considering that short-term interest rates can fluctuate significantly over relatively short

periods of time, utilizing the SOFR Rate and applicable margin for estimating the cost of short-term borrowing for the forecasted test period provides the most objective and verifiable data point as per the pricing grid within NiSource's revolving credit facility.

- b. Please see the response and attachments to PSC Staff Set 2 No 56.