

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

In The Matter Of:

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

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Case No 2026-00099

**RESPONSES OF
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.
TO COMMISSION STAFF FIRST REQUEST FOR INFORMATION**

- 1. Refer to the Direct Testimony of Anthony Sandonato (Sandonato Direct Testimony), page 9. Explain why the recommendation proposed by KIUC did not include a recommended demand charge to recover the cost of serving the demand-related portion of Delivery Service (DS) customers. If the exclusion was intentional, then explain why the decision was made. If the inclusion of a demand charge to recover the cost of serving the demand-related portion of Delivery Service (DS) customers results in a proposed change to the recommendation, provide the updated recommendation and any or all supporting documentation.**

RESPONSE:

KIUC did not recommend a separate demand charge because Columbia does not currently utilize a demand charge in its retail rate schedules. Accordingly, KIUC developed its recommendation within Columbia's existing rate structure rather than proposing a new demand-billing mechanism.

As explained in Mr. Sandonato's testimony, Columbia's cost-of-service study identifies the costs of serving DS customers as customer- or demand-related. Because there is no explicit demand charge, the declining-block volumetric rate structure serves as the mechanism for recovering demand-related costs. KIUC therefore recommends assigning the revenue requirement increase primarily to the first and second blocks, while maintaining the tail block at its current level.

KIUC also does not know whether Columbia currently has the metering capability necessary to measure and bill customer demand for purposes of implementing a demand charge. Establishing a new demand charge could therefore raise metering and implementation issues that were not examined in Mr. Sandonato's testimony. If Columbia's rate structure included a demand charge and the necessary metering capability, KIUC would support recovering demand-related costs through that demand component because doing so would more directly align cost recovery with cost causation.

2. Refer to the Sandonato Direct Testimony, page 8. Explain and provide KIUC's position on how the Commission should treat interclass subsidization.

RESPONSE:

KIUC supports moving class revenue responsibility toward the results of the cost-of-service study and reducing interclass subsidization. Cost of service should be a primary consideration in determining the appropriate revenue responsibility of each customer class because it reflects the costs incurred by Columbia to serve that class.

Columbia's cost-of-service study indicates that the proposed revenue allocation to the DS/IS class is approximately \$1.935 million, or 19%, above its equalized rate-of-return revenue responsibility. Columbia's proposal to apply an equivalent percentage increase across classes would result in no reduction in the existing interclass rate subsidies. KIUC does not believe existing interclass subsidies should simply be perpetuated through an equal-percentage increase when the cost-of-service study demonstrates that a class is providing revenues above its cost-based revenue responsibility.

Accordingly, KIUC supports moving rates toward cost of service and reducing existing interclass subsidies, while recognizing that the Commission may appropriately consider gradualism and other relevant ratemaking considerations in determining the extent and timing of such movement.

3. Refer to the Sandonato Direct Testimony, page 4. Explain from a class cost-causation standpoint how allowing the Safety Modification and Replacement Program (SMRP) to be collected through a volumetric charge differs from a fixed charge.

RESPONSE:

The distinction is how the SMRP costs allocated to the DS/IS class are recovered among customers within the class. Prior to Columbia's 2024 rate case, SMRP costs were recovered through a fixed per-meter charge. The current volumetric recovery mechanism is therefore a relatively recent change from the prior fixed-charge approach.

Under the current approach, a DS/IS customer's SMRP responsibility increases with its gas usage even though the underlying SMRP costs are fixed infrastructure costs that do not vary in proportion to throughput. KIUC recommends returning to a fixed per-meter charge for the DS/IS class because it better aligns recovery with the fixed nature of those costs. The recommendation does not change the total SMRP costs allocated to the DS/IS class.

As noted in Mr. Sandonato's testimony, KIUC's recommendation is limited to the DS/IS class. KIUC does not take a position on whether volumetric SMRP recovery is appropriate for residential customers or other customer classes.

4. Refer to Sandonato Direct Testimony, page 6, lines 6–10, where it explains the recommended recovery mechanism for the SMRP revenue requirement allocated to the DS class. Describe in detail how converting from a volumetric to a fixed monthly customer charge recovery mechanism redistributes SMRP cost responsibility among DS customers.

RESPONSE:

Returning to a fixed monthly per-meter charge would recover the DS/IS class SMRP revenue requirement based on the number of meters rather than customer throughput. This better follows cost-of-service principles because the SMRP primarily recovers fixed distribution infrastructure costs that do not increase in proportion to an individual customer's monthly gas consumption. Under the current volumetric mechanism, higher-volume customers bear a greater portion of these fixed costs simply because they consume more gas.

In response to KIUC DR 1-6, Columbia calculated that its proposed DS/IS SMRP revenue requirement could be recovered through a fixed monthly charge of approximately \$1,137.45 per bill, producing approximately \$869,008 in annual revenue. Thus, Columbia's own calculation demonstrates how the class revenue requirement can be recovered through a fixed charge rather than a volumetric charge.

The \$1,137.45 amount is not KIUC's recommendation for a fixed dollar amount. It is based on Columbia's requested SMRP revenue requirement and proposed class allocation. The actual per-meter charge should be calculated using the SMRP revenue requirement and DS/IS class allocation ultimately approved by the Commission. Accordingly, the fixed monthly charge would be lower if Columbia receives a smaller overall rate increase and/or if the Commission assigns a lower SMRP revenue requirement to the DS/IS class.

The result is to recover the Commission-approved DS/IS SMRP revenue requirement in a manner that better reflects the fixed nature of the underlying costs. Higher-volume customers generally would pay less and lower-volume customers generally would pay more than under the current volumetric mechanism, but the total amount recovered from the class would remain unchanged.