Columbia Gas of Kentucky
A NiSource Company

March 30, 2009

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PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
PO Box 615
Frankfort, KY 40602-0615

Re: Case No. 2008-00408

Dear Mr. Derouen:

Enclosed for filing are ten (10) copies of Columbia's responses to Staff's Initial Data Requests (dated March 16, 2009) in Case No. 2008-00408. Should you have any questions, please give me a call at 614.460.4648.

Sincerely,

Stephen B. Seiple
Attorney for
Columbia Gas of Kentucky, Inc.

Attachment
cc: Hon. Richard S. Taylor
Parties of Record

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 96 (a):

With reference to page 2, lines 14 through 23, and page 3, lines 1 through 6, of the Joint Direct Testimony of Glenn R. Jennings ("Joint Testimony"), address the following:

a. Explain how separating fixed-cost recovery of base or delivery charges from the volume of sales is a move toward decoupling.

Response:

The concept of decoupling refers to measures designed to break the link between the recovery of a utility's fixed costs and its throughput. Throughput can vary due to weather, customer behavior, increased equipment efficiency, and other conservation measures. Recovering fixed costs via a volumetric rate leads to over or under recovery of these costs in times of increasing or decreasing throughput. By recovering fixed costs through a fixed charge the link between fixed cost recovery and throughput is broken. The utility is not harmed by declining use so there is no disincentive to promoting conservation.

Kentucky PSC – Case No. 08-00408
Staff Data Request 96 (b)
Respondent: Mark Balmert

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 96 (b):

With reference to page 2, lines 14 through 23, and page 3, lines 1 through 6, of the Joint Direct Testimony of Glenn R. Jennings ("Joint Testimony"), address the following:

b. Identify the amount and percentage increase in the residential customer charge requested in the last rate case.

Response:

$5.80 increase (from $6.95 to $12.75). 83.5% increase. (Case No. 2007-00008)

Kentucky PSC – Case No. 08-00408
Staff Data Request 96 (c)
Respondent: Mark Balmert

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 96 (c):

With reference to page 2, lines 14 through 23, and page 3, lines 1 through 6, of the Joint Direct Testimony of Glenn R. Jennings ("Joint Testimony"), address the following:

c. Identify the amount and percent increase in the residential customer charge granted in the last rate case.

Response:

$2.35 increase (from $6.95 to $9.30). 33.8% increase. (Case No. 2007-00008)

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 96 (d):

With reference to page 2, lines 14 through 23, and page 3, lines 1 through 6, of the Joint Direct Testimony of Glenn R. Jennings ("Joint Testimony"), address the following:

d. Identify the amount and percent increase in the residential customer charge identified in the utility's most recent cost of service study.

Response:

$9.35 increase (from $6.95 to $16.30). 234.5% increase. (Case No. 2007-00008)

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 96 (e):

With reference to page 2, lines 14 through 23, and page 3, lines 1 through 6, of the Joint Direct Testimony of Glenn R. Jennings ("Joint Testimony"), address the following:

> e. Describe how the current rate designs promote energy efficiency.
> Identify each such rate design. Identify the annual Mcfs or Btus that the utility estimates are displaced by each rate design.

Response:

Columbia's current rate design is a combination of fixed and variable charges for base rates. The commodity gas cost, being the larger percentage of a customer's bill, is a volumetric charge. A customer has an incentive for energy efficiency because lower usage results in a lower bill. However, the rate design does not provide the same incentive for a utility to promote energy efficiency programs. The company's financial well-being is enhanced by greater customer usage because of the variable component of its base rates. Looking purely at rate design, the financial interest of the customer and the utility are at odds when it comes to energy efficiency. In Columbia's last rate case, the parties recognized this conflict and placed the recovery of the allowed increase entirely in the fixed charge component of Columbia's base rates. However, a part of Columbia's fixed costs are still dependent upon a variable rate for recovery. A rate design that removes this volumetric dependency would allow the financial interests of the utility and the customer to become more aligned. Incentives to provide programs and promote energy efficiency and conservation such as are contemplated in KRS 278. 285 would then be more attractive for all.

Columbia does not have any estimates of the volumes displaced by rate design. It does have evidence of declining customer usage.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 97 (a):

With reference to page 3, lines 7 through 23, and page 4, lines 1 through 12, of the Joint Testimony, address the following:

a. Explain in detail how "Rate Stabilization" or an "Annual Rate Review mechanism" will promote energy efficiency.

Response:

Rate Stabilization or an Annual Rate Review Mechanism in and of itself would not promote energy efficiency. It is one means that would better align the financial interest of the utility and customer in viewing energy efficiency because the utility would have a mechanism in place to adjust for lost revenues and would not be negatively impacted by reduced consumption. This would remove the existing financial disincentive that utilities have to pursue energy efficiency programs.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 97(b):

With reference to page 3, lines 7 through 23, and page 4, lines 1 through 12, of the Joint Testimony, address the following:

b. If the utility believes that "Rate Stabilization" or an "Annual Rate Review mechanism" will promote energy efficiency, identify the annual amount and percent of Mcfs or Btus the utility estimates such mechanisms will displace.

Response:

The estimates of volumes displaced would be dependent entirely upon the DSM programs that a utility might offer. Columbia has no current estimates.

Kentucky PSC – Case No. 08-00408
Staff Data Request 97(c)
Respondent: Mark Balmert

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 97(c):

With reference to page 3, lines 7 through 23, and page 4, lines 1 through 12, of the Joint Testimony, address the following:

c. Describe in detail what would be required to decouple base rate revenues from sales volumes by placing recovery of fixed costs entirely in the monthly customer charge.

Response:

Assuming the request is for the residential customer class only, the following formula incorporates the billing determinants used to design currently approved base rates for rate schedules GSR (Residential Sales Service) and GTR (Residential Choice Transportation Service) in Case No. 2007-00008.

Rate Schedule		No. of Bills	Volumes (Mcf)	Rates	Revenue
GSR	Customer Charge	1,198,356		$9.30/Mo.	$11,144,711
GSR	All Gas Consumed		6,701,739.9	$1.8715/Mcf	$12,542,306
GTR	Customer Charge	325,805		$9.30/Mo.	$3,029,987
GTR	All Gas Consumed		2,091,711.7	$1.8715/Mcf	$3,914,638
Total		1,524,161			$30,631,642

Calculated Customer Charge to collect all fixed delivery charges = $20.09/Mo.
($30,631,642 / 1,524,161)

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 97(d):

With reference to page 3, lines 7 through 23, and page 4, lines 1 through 12, of the Joint Testimony, address the following:

d. Describe how weather normalization encourages the Joint LDCs to promote energy efficiency.

Response:

A weather normalization adjustment (WNA) works to mitigate the impact of weather variations in the recovery of non-gas costs. Base rates are established using "normal" weather. This is a benefit for the customer and utility. A WNA by itself does not promote energy efficiency, nor does it protect the utility from usage erosion caused by customer conservation. It simply mitigates the effects of cost recovery caused by warmer or colder than normal weather. However, the absence of a WNA would simply amplify the disincentive for a utility to promote customer conservation during warmer than normal weather.

Kentucky PSC – Case No. 08-00408
Staff Data Request 98(a)
Respondent: Judy Cooper

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 98(a):

With reference to the Joint LDCs discussion of decoupling, address the following:

a. Current literature describes a myriad of decoupling mechanisms. If applicable, describe specifically the form of decoupling the Joint LDCs support.

Response:

The Joint LDCs have most recently supported an annual rate review mechanism in the General Assembly. This is one form of decoupling. The goal of any decoupling plan is to break the dependency upon a volumetric rate to recover costs. Columbia does not believe that this is the only reasonable way to address decoupling.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 98(b):

With reference to the Joint LDCs discussion of decoupling, address the following:

b. Explain how the decoupling form supported by the Joint LDCs differs from the recovery of fixed costs entirely from per-unit fixed rates.

Response:

One of the decoupling forms supported by the Joint LDCs on Page 4, Lines 5 through 8 of testimony, is the recovery of fixed costs entirely in the monthly customer charge rather than a per unit rates for delivery charges. The Joint LDCs interpret per unit rates as volumetric rates.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 99:

Explain whether or not the Joint LDCs believe the DSM Surcharge authorized by KRS 278.285 needs to be supplemented by a decoupling provision.

Response:

The Joint LDCs believe that the DSM Surcharge would benefit from a decoupling provision, in order to better align the interests of the Company and its customers. A decoupling provision would mitigate the impact on fixed cost recovery from customers who undertake conservation measures outside the Company's DSM program.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 100:

With reference to the new PURPA Standards of ElSA 2007, Section 532(b)(6)(B)(ii), referring to the provision of incentives for the successful management of energy efficiency programs, identify and describe any incentive the Joint LDCs believe is needed in addition to those authorized by the DSM statute, KRS 278.285.

Response:

At this point, Columbia is not aware of any additional incentives.

COLUMBIA GAS OF KENTUCKY
RESPONSE TO STAFF DATA REQUEST DATED
MARCH 16, 2009

Data Request 103:

Identify all DSM programs offered by Columbia. Identify the amount of Mcfs or Btus that the utility estimates are displaced by each program.

Response:

Columbia has not yet sought Commission authorization for any DSM programs and therefore has no estimates.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Responses of Columbia Gas of Kentucky, Inc. to Staff's Initial Data Requests was served upon all parties of record by regular U. S. mail this 30th day of March, 2009.

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