

April 27, 2009

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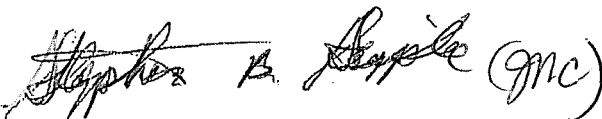
Mr. Jeff Derouen  
Executive Director  
Commonwealth of Kentucky  
Public Service Commission  
211 Sower Blvd.  
PO Box 615  
Frankfort, KY 40602-0615

**Re: Case No. 2008-00408**

Dear Mr. Derouen:

Enclosed for filing are ten (10) copies of Columbia's responses to Staff's Data Requests (dated April 13, 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'S SECOND DATA REQUEST DATED  
APRIL 13, 2009**

**Data Request 35:**

Refer to the response of KU and LG&E to Staffs Initial Data Request, Item 89, regarding the description of the type of annual rate review authorized by the Commission in connection with LG&E's initial DSM plan. What is your position on a review and/or decoupling approach based on a maintaining a specific revenue amount or, alternatively, a specific amount of revenue per customer?

**Response:**

Columbia generally agrees with KU and LG&E's support for allowing annual reviews of financial results, with rate adjustments, to ensure that a utility's revenues remain consistent with its approved rate design. A review or decoupling approach to maintain a specific revenue amount, or revenue amount per customer, should be examined on a company-specific basis. Either approach could be revenue neutral and thus avoid the disincentive to the company of implementing demand-side management plans and promoting conservation.

**Kentucky PSC – Case No.2008-00408**  
**Staff Data Request**  
**Respondents: Judy Cooper and Mark Balmert**

**COLUMBIA GAS OF KENTUCKY**  
**RESPONSE TO STAFF’S SECOND DATA REQUEST DATED**  
**APRIL 13, 2009**

**Data Request 39:**

Refer to Columbia’s response to Staff’s Initial Data Request, Item 98(a).

- a. Columbia states that it does not believe that breaking the dependency upon a volumetric rate to recovery costs is the only reasonable way to address decoupling.
  1. State and briefly explain the other ways that Columbia believes are reasonable ways to address decoupling.
  2. Which method of addressing decoupling does Columbia prefer? Explain.
- b. If an annual rate-review mechanism such as the one recently supported in the General Assembly were in place, what would have been the effect on rates for each of the most recent five calendar years?

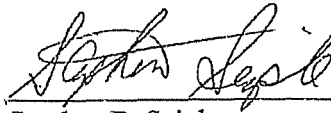
**Response:**

a. As Columbia stated in its response to Item 98(a), “The goal of any decoupling plan is to break the dependency upon a volumetric rate to recover costs.” Columbia’s response was meant to indicate that an annual rate review mechanism is not the only form of decoupling. Other methods of decoupling include changes in rate design such as placing recovery of all fixed costs in a fixed charge and eliminating or reducing the volumetric charge so that it only recovers truly variable costs through a method of cost recovery commonly termed, “straight fixed variable rate design.”

b. If the annual rate-review mechanism such as that recently supported in the General Assembly were in place, Columbia might have avoided filing repeated rate cases. Columbia’s last rate case was filed in early 2007 based upon an historical test year for the twelve-months ending September 2006. Columbia filed notice with the Commission on April 1, 2009, that it intends to file another rate case on or after May 1, 2009.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing Responses of Columbia Gas of Kentucky, Inc. to Staff's Data Requests was served upon all parties of record by regular U. S. mail this 27<sup>th</sup> day of April, 2009.



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