Columbia Gas of Kentucky
A NiSource Company

July 14, 2009

RECEIVED
JUL 14 2009
PUBLIC SERVICE COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2009-00141

Dear Mr. Derouen,

Enclosed for docketing with the Commission is an original and ten copies of Columbia Gas of Kentucky, Inc.'s responses to the Third Data Request of Commission Staff. Should you have any questions about this filing, please contact me at 614-460-4648. Thank you!

Sincerely,

Stephen B. Seiple

Stephen B. Seiple
Assistant General Counsel

Enclosures

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

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Supplemental Responses of Columbia Gas of Kentucky, Inc., were served upon all parties of record by regular U. S. mail this 14th day of July, 2009.

Stephen B. Seiple
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COLUMBIA GAS OF KENTUCKY INC.

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COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 001:

Refer to the response to Item 6 of Commission Staff's Second Data Request ("Staff's Second Request") which states that Columbia Gas of Ohio ("COH") partially shifted its small general service customers to a straight-fixed variable ("SFV") rate design in December 2008 and that a complete shift will occur in December 2009. Provide COH's customer charge prior to the shift, its SFV-based requested customer charge, and the customer charge ultimately approved for all phases of the SFV shift.

Response:

Prior to the shift the customer charge was $6.50/Month.

COH asked for $12.97/Month the first year rates were in effect and the Public Utilities Commission of Ohio (PUCO) granted $12.16/Month.

COH asked for $19.76/Month the second year rates were in effect and the PUCO granted $17.81/Month.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 002:

Refer to the response to Item 7 of Staff's Second Request and revised Schedule M, page 1 of 2.

a. Provide an electronic version of the complete response with the formulas intact and unprotected.

b. For each rate class on revised Schedule M that shows a different amount of "Revenue Change" in Column D than that shown in the original Schedule M in the application, provide the reasons for the differences.

Response:

a. Please see the attached CD.

b.

	As Filed Revenue Change	PSC Set 2, No. 7 Revenue Change	Difference
Line 2 General Service – Residential (GSR)	$8,067,783.82	$7,925,114.22	($142,669.60)
Line 21 GTS Choice – Residential (GTR)	1,860,159.95	2,003,005.15	142,845.20
Total	$9,927,943.77	$9,928,119.37	$175.60

Columbia kept the allotted revenue increase for the GSR/GTR rate schedules at the as filed for 9.93% (see PSC DR Set 2, No 7 attachment MPB-6, Sheet 1, Line 2). Eliminating the volumetric Gas Cost Uncollectible Charge caused the revenue requirement to shift more to the fixed customer charge which is the primary reason for the shift between rate schedules GSR and GTR of almost $143,000. Contributing to the shift was correcting for the EAP charge applied to the GTR rate of $4,789.25 ($109,554.06 - $104,764.81).

	As Filed Revenue Change	PSC Set 2, No. 7 Revenue Change	Difference
Line 13 General Service – Commercial (GSO)	$964,661.29	$886,937.10	($77,724.19)
Line 14 General Service – Industrial (GSO)	17,242.74	3,471.30	(13,771.44)
Line 22 GTS Choice – Commercial (GTO)	167,235.84	257,434.80	90,198.96
Line 23 GTS Choice – Industrial (GTO)	414.72	638.40	223.68
Line 26 GTS Grandfathered Delivery Service - Commercial (GDS)	$881.28	1,356.60	$475.32
Line 27 GTS Grandfathered Delivery Service - Industrial (GDS)	470.88	724.85	253.97
Total	$1,150,906.75	$1,150,563.05	($343.70)

Columbia kept the allotted revenue increase for the GSO/GTO/GDS rate schedules at the as filed for 2.01% (see PSC DR Set 2, No 7 attachment MPB-6, Sheet 1, Line 2). Eliminating the volumetric Gas Cost Uncollectible Charge caused the revenue requirement to shift entirely to the fixed customer charge which is the entire reason for the shift between rate schedules GSO and GTO/GDS of around $91,000.

	As Filed Revenue Change	PSC Set 2, No. 7 Revenue Change	Difference
Line 19 Intrastate Utility Service - Wholesale (IUS)	$9,083.96	$9,252.34	$168.38
Total	$9,083.96	$9,252.34	$168.38

Columbia kept the allotted revenue increase for the GSO/GTO/GDS rate schedules at the as filed for 4.76% (see PSC DR Set 2, No 7 attachment MPB-6, Sheet 1, Line 4). Eliminating the volumetric Gas Cost Uncollectible Charge caused the revenue requirement to shift entirely to the volumetric base rate charge. However, when designing rates, allotted revenue requirement by rate class can only be accounted for if the calculated rates were not rounded. However, for billing purposes, rates must be rounded. The customer change is rounded to second place past the decimal and the volumetric base rate is rounded to the fourth place past the decimal. When applying the proposed rates to billing determinants the resulting revenue can be greater or less than required. To compensate for this, Columbia used the IUS rate schedule to balance to the total revenue requirement. This accounts for the entire change in revenue for the IUS class of $168.38 (GSR/GTR difference of $175.60 + GSO/GTO/GDS difference ($343.70))

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 003:

Refer to the response to Item 8 of Staff's Second Request.

a. This response shows that 468 miles of main will be installed over the 30-year program period but that 525 miles will be retired. Explain why Columbia plans to install fewer miles of main than are being retired.

b. Confirm that the cost and feet of mains and services in the response reflect that the average cost per foot to replace mains is $65.56 and the average cost per foot to replace service lines is $23.79. If this is not the case, provide the average cost to replace both and include the calculations thereof.

c. Describe, generally, the reasons for the difference between the cost to replace mains and the cost to replace service lines.

Response:

a. Columbia's main replacement experience has been to retire more footage of priority mains than to install new replacement mains. The program estimate includes a ratio of 1.12 miles of mains retired for every mile of new replacement main installed. This is due to several factors. Our systems planning tools are more accurate than years ago which allows Columbia to optimize the system's design and not always install additional feeds. Increasing system pressures also improves opportunities of reducing additional feeds or retiring low pressure mains where medium pressure mains are readily available. Finally, older systems were sometimes designed with two mains on each side of the street which provides Columbia with opportunities to install one main and retire two mains.

b. The costs are accurate.

c. The costs to replace service lines are lower since service lines are smaller, typically 5/8 or 1 inch and often can be installed by insertion through the old steel service. This minimizes excavation costs and the two or three holes are often in grassy areas which reduce or eliminate the cost of paving. Mains are often 2 through 8 inch in size and when installed in public right of way, typically require extensive paving restoration. This increases the cost of materials and labor to install main facilities.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 004:

Refer to the response to Item 9.b. of Staffs Second Request.

a. Explain whether Columbia experienced a lower level of disconnects due to the change in how it works collection orders as well as a higher level of customers who did not reconnect.

b. Describe the change in the way collection orders are worked and explain how the change would affect the number of reconnections made.

c. Explain why Columbia believes that a higher reconnect fee will not prevent low-income customers from reconnecting gas service.

d. If the response means fewer customers are disconnected due to the change in how Columbia works connection orders, explain whether the 75 percent behavioral factor proposed by Columbia takes this into account.

Response:

a. As shown in the response to 9.a. of Staff's Second Request, Columbia did not experience a lower level of disconnections for non-payment in 2008 than in 2007.

b. Columbia implemented a process in 2007 that is designed to prioritize shut off orders so that accounts with the highest probability of not paying either prior to or after disconnection are disconnected first by the field. If the model correctly identifies the customers that are the highest risk of not paying, Columbia should experience less customers reconnecting service after turn off for non payment.

c. Although the higher fee will add to the amount needed for customers to reconnect, Columbia does not believe the increase will actually prevent low income customers from reconnecting due to the percentage it makes up of the total dollar amount needed to reconnect and assistance available to low income customers.

d. Actual experience has shown a decline in occurrences subsequent to increasing the charge. No additional studies or analyses were necessary to develop the 75% behavioral factor.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 005:

Refer to the response to Items 9.b. and 9.c. of Staff's Second Request.

a. The response to 9.b. states that Columbia does not believe that a $60 reconnection fee will prevent low-income customers from reconnecting service. The response to 9.c. states that, given the proposed increase to $60, "it is highly unlikely that Columbia would experience a constant activity level when the fee is increased." Explain whether it is Columbia's belief that any change in the activity level resulting from the increased reconnection fee would be attributable to customers other than the low-income customers.

b. Refer to the response to Item 9.c. of Staff's Second Request. Explain whether the proposed 75 percent behavioral factor takes into account the likelihood that customers will not be able to pay their bills due to factors such as overall economic conditions, a higher gas bill due to a rate increase, etc.

Response:

a. Columbia believes that any change in the activity level resulting from the increased reconnection fee can be attributable to customers at any income level. Other external conditions that impact customer behavior can affect the activity at any income level.

b. Actual experience has shown a decline in occurrences subsequent to increasing the charge. No additional studies or analyses were necessary to develop the 75% behavioral factor.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 006:

Refer to the response to Item 9.d. of Staff's Second Request. Provide calculations showing the derivation of the construction overhead for supervision, engineering and administration of $8.71 and the hourly truck rate of $9.60 with any necessary narrative description.

Response:

See the two attachments hereto.

The construction overhead rate of $8.71 for supervision, engineering and administration referred to above was calculated as follows:

Base Labor Rate per Attachment JMC-1 – Direct Testimony of Judy M. Cooper	$26.14
Add: Overhead – vacation and non-productive time per CKY Response to Staff Set 2 DR No. 009 Part d.	$ 4.33
Add: Overhead – benefits and payroll taxes per CKY Response to Staff Set 2 DR No. 009 Part d.	$15.42
Total Labor Charges Subject to Supervision, Engineering & Administration Allocation Percentage	$45.89
Supervision, Engineering & Administration Allocation Percentage	**18.98%**
Hourly Supervision, Engineering & Administration Rate	**$8.71**

The attachment shows the detailed calculation of the 18.98% supervision, engineering and administration allocation rate.

For the construction overhead rate, the major components are labor and expenses applicable to construction incurred by employees where it is impractical to charge construction work orders directly. Typical items included are as follows:

Labor:
- Supervision
- Mapping and drafting
- Typing and clerical duties
- Budgeting and cost comparison
- Engineering and planning activities
- Preparation and filing of construction certificate applications to the Public Service Commissions

Labor overheads
Automotive transportation
Employee expense

The hourly truck rate is calculated by taking the percentage of 2008 (prior year) year-to-date truck expense divided by total year-to-date auto and truck expense to obtain the truck only portion of the expenses. This percentage is then multiplied by the 2009 transportation budget estimate to obtain the truck only portion of the total auto and truck transportation budget to clear. This amount is adjusted by the balance of the truck clearing account at current month's end to yield the total expense to clear. The total expense to clear is then divided by total 2008 actual truck hours to determine an hourly rate that is then rounded to the nearest 10 cent increment. The major components of the YTD 2008 expense and 2009 transportation budget estimate line items are lease/rental fees, commercial/company repairs, fuel costs, licenses & taxes, insurance and other miscellaneous expenses. Actual truck usage hours are pulled and summarized directly from individual employee time sheets. The attachment details the calculation of the $9.60 truck rate.

AUTO AND TRUCK CLEARANCE RATES

EFFECTIVE　　　　　　　　　　　　March 2009 CLOSING

X:\Carla\General Auto Truck and Tool\2009\[03-09.xls]AUTO TRUCK

		CKY	32 cky
	AUTO	TRUCK	TOTAL
2007 Year End Clearing Entry (normally $0)	$0.00	$0.00	$0.00
YTD 2008 EXPENSE	$28,632.97	$202,267.08	$230,900.05
EXPENSE ALLOCATION	0	$0	0.00%
(BASED ON YTD EXP)	12.40%	87.60%	
YTD 2008 CLEARANCE	($38,556.34)	($282,623.59)	($321,179.93)
BALANCE FOR MONTHEND	($9,923.37)	($80,356.51)	($90,279.88)
(= TO QUERY 184-0010/20)			
2009 TRANS BUDGET EST.	$185,755	$1,312,198	$1,497,953
(PE RUNS A MONTH LAG)	===========	===========	===========
GARAGE COSTS DISTRIBUTED			
TOTAL EXPENSE TO CLEAR	$175,832	$1,231,841	$1,407,673
for the rest of the year	===========	===========	===========
ESTIMATED USAGE HOURS -			
2008 ACTUAL HOURS	17,891	127,737	145,628
ADJUSTMENTS	0	0	0
TOTAL HOURS	17,891	127,737	145,628
CALCULATED RATE	$9.83	$9.64	
RECOMMENDED RATE	**9.80**	**9.60**	
PRIOR MONTH'S RATE	9.60	9.90	

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RATES CALCULATED: C. Rider

RATES VERIFIED: C. Rider

RATES APPROVED: R. Kriner

CALCULATION OF 2009 SEGA

2009 New Business Budget	CKY	
Gross Capital Expenditures	4,476,700	
Less: AFUDC Included Above	(8,953)	
Less: SEGA Included Above	(703,578)	
Less: NBT Included Above	(173,436)	
Capital Subject to SEGA	3,590,733	(AA)

2009 Maintenance Budget	CKY	
Gross Capital Expenditures	9,033,166	
Less: AFUDC Included Above	(18,066)	
Less: SEGA Included Above	(1,419,692)	
Capital Subject to SEGA	7,595,408	(BB)

2009 Estimated SEGA Charges	CKY	
Labor and OH	1,253,353	
Indirect OH	176,082	
Materials and Supplies	75,000	
Outside Services	39,293	
Corporate Services	579,542	
Sub-Total Distribution Ops	**2,123,270**	(CC)
New Business Team	173,436	
Total SEGA Charges In	**2,296,706**	

10080 SEGA Clearing Rate	**18.98%**	**(CC) divided by (AA) plus (BB)**
10082 NBT Clearing Rate	**4.83%**	
New Business Estimating Rate	**24.42%**	

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 007:

Refer to Attachment 2 to the response to Item 9.e. of Staff's Second Request, which shows disconnections requested by customers and reconnections not related to nonpayment. The note for the column "Reconnections not related to non payment" states that the numbers include accounts reconnected for only "seasonal" or "other" reasons, meaning that some of the reconnections are seasonal disconnects/reconnects. From April 2007 through April 2009, the monthly average for reconnects unrelated to nonpayment was between eight and nine. Total reconnects in October and November of both 2007 and 2008 were 97, less than one percent of the reconnects for nonpayment during that 25-month period. Recognizing that seasonal reconnects represent less than these amounts and that some customers request to disconnect/reconnect for "other" reasons, explain why Columbia believes a higher reconnect fee is necessary to discourage seasonal disconnects/reconnects below their current level.

Response:

Although Columbia does have a relatively small number of seasonal disconnections and reconnections, Columbia believes that customers who opt to turn off their gas service on a seasonal basis should have to pay the fixed monthly charge just like a customer who keeps their gas service on all year. The tariff provision for this reconnection fee is to ensure customers who disconnect seasonally are making a contribution to the cost to serve them since rates to recover the cost of service are based on service throughout the year.

The purpose of Columbia's proposed reconnection fee is not to reduce seasonal disconnections below historic levels, but is to prevent the creation of an economic incentive for customers to seasonally disconnect. Without such a fee, more customers may seasonally disconnect to avoid their fair share of the monthly demand charge. If this occurs, then Columbia's cost of service in the near term will not be fully recovered, and would ultimately have to be recovered from all other customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 008:

Refer to the response to Item 10.a. of Staff's Second Request which states that the proposed change in the budget plan enrollment would 1) be more convenient for customers by allowing them to sign up for the budget at the same time they are initiating service; 2) make certain all customers are aware of the budget program before they encounter payment problems...."

Explain whether or not customers are currently informed of the budget plan during service initiation and allowed to sign up for the budget plan at that time.

Response:

Customers are informed of the budget plan during service initiation if they request information on payment plans. If the customer requests to be on the budget payment plan during service initiation, they are asked to call back when they receive their first bill and we will add them to the budget at that time. This request, if approved, will require an enhancement to the order take process that will allow the customer service representative to indicate on the order take screen whether or not the customer should be placed on the budget with their first bill.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 009:

Refer to the response to Item 1O.b. of Staff's Second Request.

a. Explain whether customers will be informed of the amount of their budget payment at the time they initiate service.

b. Explain whether customers initiating service will be asked to sign a document attesting to the fact that they know they are being set up on a specific budget amount per month or, in the alternative, attesting that they have been offered the budget payment plan and have chosen to opt out.

Response:

a. Columbia Gas of Kentucky will enhance its order take process to implement this request if approved. That enhancement will include displaying the budget plan amount on the order take screen so the customer service representative can inform the customer of the budget plan amount.

b. Customers will not be required to sign a document to join the budget plan during service initiation as 1) Columbia does not require a signed document now for a customer to join the budget or be removed from the budget, and 2) the customer can be removed from the budget plan at any time per their request.

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF**

Data Request 010:

Refer to the response to Item 12.b. of Staff's Second Request. While Columbia does not believe that customers would elect to be cut off for nonpayment rather than incur a reconnect fee that is $83 higher, explain why customers in a struggling economy would not pursue the incentive created by the proposed $143.36 reconnect fee of being disconnected for nonpayment although they have the ability to pay.

Response:

Columbia believes that customers who turn gas off on a seasonal basis are customers who are concerned with their credit and do not want to risk their credit standing with Columbia or the possibly of having their account turned over to a collection agency after they are turned off for non payment. Therefore, we do not believe this small group of customers who opt to turn off their service on a seasonal basis will allow their account to be turned off for non payment to save the difference in the reconnect fee for non payment versus the seasonal reconnection fee.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 011:

Refer to the response to Item 16 of Staff's Second Request which deals with costs of outside contractors but does not address the costs for employees and administrative services, which were also part of the request. Provide the remainder of the response to the original request.

Response:

While the DSM recovery mechanism provides for the recovery of incremental costs for employees, Columbia Gas does not propose to recover employee costs for the proposed DSM programs through the DSM cost recovery mechanism. The administrative costs that Columbia Gas proposes to recover through the DSM cost recovery mechanism include the cost of employee training and the development of informational material to be distributed to customers. The expenses for these supplies and services will be separately identified in Columbia Gas's accounting records. The supplies and services will be procured in accordance with Columbia Gas's standard purchasing guidelines and procedures.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 012:

Refer to the response to Item 19 of Staff's Second Request.

a. Refer to revised Attachment Seelye-3.

1) Provide the calculations for the amounts in the column titled "Est Annual Met Savings per Participant."

2) Provide a further breakdown of the budgeted Demand Side Management annual program costs of $908,000 shown in the attachment Specifically, show the projected expenses for administration, customer awareness/advertising, and technical program costs.

b. Given the negative net benefit of $222,281 shown for the Low-Income High Efficiency Furnace Rebate Program, explain why Columbia is proposing to implement this program.

Response:

a. See attached.

b. Although the Low-Income High Efficiency Furnace Rebate Program indicates a negative net benefit, Columbia Gas is proposing the program because it fills a void in the assistance that low-income customers receive. Without receiving a significant subsidy, it is unlikely that low-income customers could afford to replace inefficient furnaces with high-efficiency systems.

Columbia Gas met with the Community Action Council for Lexington-Fayette, Bourbon, Harrison and Nicholas Counties and with Kentucky Housing Corporation on April 27, 2009. Both of these organizations indicated that a major obstacle preventing low-income customers from improving their energy efficiency was the high cost of furnace replacement. The Low-Income High Efficiency Furnace Program is being proposed at the urging of these organizations.

Columbia Gas of Kentucky
Projected Program Costs
For Proposed DSM Programs

Attachment DR PSC 12(a)(2)

	Description	Projected Participants	Rebates or Funding	Program Cost
	Program Rebates and Funding			
1	High Efficiency Furnace and Water Heating Rebate Program			
2	High Efficiency Forced Air Furnaces	383	$ 400	$ 153,180
3	High Efficiency Duel Fuel Units	48	300	14,361
4	High Efficiency Gas Space Heating	48	100	4,787
5	High Efficiency Gas Logs/Fireplaces	814	100	81,377
6	Sub-Total Water Heating	1,292		$ 253,705
7	High Efficiency Holding Tank Water Heaters	151	$ 200	$ 30,157
8	High Efficiency Power Vent Water Heaters	14	250	3,590
9	High Efficiency On-Demand Water Heaters	2	300	718
10	Sub-Total Heating	168		$ 34,466
11	Total Rebates High Efficieny Heating and Water Systems	1,460		$ 288,170
12	Energy Audits	4,000	$ 50	$ 200,000
13	Low-Income High Efficiency Furnace Rebate Program	140	$ 2,200	$ 308,000
14	Sub-Total Rebates and Contractor Funding			
	Other Costs			
15	Customer Awareness (including customer account training and design of customer awareness material)			$ 84,000
17	Supplies (including customer awareness material)			20,000
19	Sub-Total			$ 104,000
20	Total Costs			$ 900,170

Columbia Gas of Kentucky
Projected Mcf Savings
For Proposed DSM Programs

	Program	Projected Participants	Mcf Savings Per Participant *	Projected Mcf Savings
1	High Efficiency Forced Air Furnaces	383	10.002	3,830.3
2	High Efficiency Duel Fuel Units	48	2.085	99.8
3	High Efficiency Gas Space Heating	48	1.633	78.2
4	High Efficiency Gas Logs/Fireplaces	814	5.540	4,508.3
5	Sub-Total Water Heating	1,292	6.589	8,516.5
6	High Efficiency Holding Tank Water Heaters	151	4.511	680.2
7	High Efficiency Power Vent Water Heaters	14	6.262	89.9
8	High Efficiency On-Demand Water Heaters	2	10.859	26.0
9	Sub-Total Heating	168	4.752	796.1
10	Total High Efficieny Heating and Water Systems	1,460	6.379	9,312.7
11	Energy Audits	4,000	3.000	12,000.0
12	Low-Income High Efficiency Furnace Rebate Program	140	6.589 **	922.5

* Mcf Savings estimated by Delta Natural Gas Company in Case No. 2008-0062
** Based on the average average Mcf savings for High Efficiency Heating program

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 013:

Refer to Attachment JFR-1 of the response to Item 21 of Staff's Second Request and pages 8-9 of the Prepared Direct Testimony of James F. Racher.

a. The attachment shows that differences for the years 2004 through 2007 between the average balances of gas in storage under the LIFO method used by Columbia and under the 13-month average method it proposes to use for rate-making purposes are generally comparable to the difference for the test year. Explain why Columbia did not make a similar proposal in its prior rate case, Case No, 2007-00008.

b. The testimony indicates the October storage balance was chosen to calculate the average rate and explains that October was chosen because 1) the October balance and volumes are known and measurable and 2) injections are generally complete at the end of October and the average storage rate "should be valued at a peak facility time. Explain 1) whether the balances and volumes of other months are known and measurable and 2) why the average storage rate should be valued at a peak facility time.

c. A review of the balances and volumes in the attachment reflects that the highest average rate, for each of the years 2004 through 2008, occurs in the month of October (September and October 2007 average rates are virtually equal). Irrespective of other considerations, explain why the average rate for purposes of valuing gas in storage should be based on the month which consistently, for five years, provides a higher rate than at any other time of the year.

Response:

a. Columbia's proposal to change its valuation of storage for rate making purposes to reflect in rate base the cost of the Company's long-term investment in storage made on behalf of its customers for their future consumption was not developed at the time the last case was filed.

b. 1) Yes, balances and volumes from other months are known and measurable. 2) The overall average storage rate should be valued at the peak facility time for rate making purposes since this is the time by which most, if not all, injections have been made by Columbia on behalf of its customers for the upcoming winter season. Columbia purchases and injects gas into storage in the months preceding November prior to the gas being used by Columbia's customers. This injected gas, along with storage gas from previous years is for customer use. The month in which storage is at its volumetric peak is viewed by Columbia as the logical time to determine the overall weighted average cost of all gas in storage and is reflective of the investment in the stored gas for rate making purposes. Withdrawals for customer use typically begin after October and continue in the winter months that follow. Withdrawals at prices other than the overall weighted average inventory price can cause distortions, as highlighted by the negative dollar balances in months where positive physical volume balances exist.

c. As noted in b., the time when the overall average storage rate should be determined for rate making purposes is when injections are generally complete and withdrawal activity has generally not yet started. This time is the end of the month of October. Columbia is subject to contractual standards, daily and monthly, regarding injections, withdrawals and inventory levels that influence monthly volumetric balances. The withdrawal activity that begins after October when priced at the LIFO current year's weighted average commodity cost starts to distort the dollar balance of storage from an overall investment standpoint as volumes are withdrawn at rates other than the overall weighted average inventory rate that is reflective of that investment.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 014:

Refer to the responses to Item 22 of the Staffs Second Request and Item 6 of the Office of the Attorney General's ("AG") Initial Request.

a. The first response indicates that Columbia believes it is appropriate to include the costs of post-test-year wage and salary increases in its cost of service, even if those occur 11 months outside test year. Explain whether Columbia agrees with the following statement: The full effects of any post-test-year wage and salary increases that may be included in its cost of service will not be reflected in its actual costs of operation until 12 months after the effective date of said increases; however, the full effects of the increases will be included in the cost of service for ratemaking purposes from the date of a Commission rate Order in the same manner as if the increases had occurred during the test year.

b. The second response indicates Columbia believes its depreciation expense adjustment (based on test-year-end plant) should not be recognized in the accumulated depreciation component of rate base as that would have the effect of reducing its "rate base by an amount not yet funded by the customer." In his request, the AG referenced the "long-standing Commission ratemaking policy of adjusting accumulated depreciation by the amount of the adjustment to depreciation expense. This Commission has approved this treatment for at least 25 years as evidenced by its Order in Columbia's 1984 rate case, Case No. 9554, in which it increased accumulated depreciation by $84,960 to reflect the pro forma adjustments to its (Columbia's) test-period depreciation expense. Explain why Columbia's current position on not adjusting accumulated depreciation is not inconsistent with its position on including post-test-year salary and wage increases in the cost of service.

Response:

a. Columbia agrees with the statement. The reason this must be the case is that the purpose of any normalization of test year costs is to adjust the test year to reflect the costs that can be reasonably expected to occur during the first twelve months rates are in effect. To the extent known and measurable information is presented that the test year costs are no longer representative of the costs that can be reasonably expected to occur during the first twelve months rates are in effect, an adjustment must be made.

The decision to include or exclude post-test-year wage and salary increases should be based on three criteria: 1) is the increase known and measurable, 2) will the increase be in effect before proposed rates go in effect, and 3) is the increase reasonable.

1) Columbia's response to Staff Set 2-022 itemizes the post test year labor increases along with the referenced union labor contract attached to response to Staff Set 1-046 and Columbia's management decision to postpone from March 1, 2009 to September 1, 2009 exempt salary increase for exempt employees other than front line leaders shows that the increase is known and measurable.
2) All post test year requested labor increases will in all probability be in effect before proposed rates are billed to customers.
3) The increases are in line with increases Columbia has provided to its employees in the last few years and the increases the PSC has approved in past rate cases.

Including the known and measurable post test year labor increases in the cost of service allows Columbia a reasonable opportunity to recover the actual labor costs Columbia will incur during the first twelve months rates are in effect. Even with the labor increases Columbia is requesting, Columbia will still not be able to recover the annual merit labor increases it will incur in March 2010 less than 12 months after proposed rates go in effect. The labor expense proposed in this case represents at a minimum the level that will be effect during the rate year and therefore just and reasonable.

b. Columbia is aware that, in other cases, the Commission has included proposed adjustments to depreciation expense as an adjustment to the accumulated depreciation balance utilized in the calculation of rate base. As explained in response to AG-1-6, such an adjustment would have the effect of reducing Columbia's rate base by an amount not yet recovered from customers, which would be inappropriate. The linkage between allowance for depreciation expense (return of) and return on rate base (return on) capital expenditures made by a utility is that until the utility's investment in an asset is recovered from the customers through incorporating an approved level of depreciation in rates, then the utility should recover a fair and reasonable return on the existing or remaining unrecovered investment. This linkage would be broken by reducing rate base for a depreciation level not yet incorporated in, billed, and recovered through rates.

Furthermore, the adjustment to the accumulated reserve is just one side of the rate base equation. Using the end of test year level of rate base provides a reasonable estimate of the rate base level expected to be in place and funded by investors during the first twelve months rates are in effect. Including an adjustment to the reserve, without any recognition of any future plant additions, particularly non-revenue plant additions, distorts the level of rate base expected to be in effect during the first twelve months of the new rates. Absent the plant additions from Columbia's Accelerated Main Replacement Program which will be addressed through Columbia's proposed Accelerated Main Replacement Rider, Columbia believes the rate base it proposed in this case represents the minimum level that will be in effect during the rate year.

Columbia's position on not adjusting accumulated depreciation is not inconsistent with its position on including post-test-year salary and wage increases in the development of its cost of service. This decision properly recognizes that rates should be established based on its collection revenue requirement. This includes the use of a rate base representative of the average investment on its books during the collection year. The Commission's proposed adjustment would result in an understatement of Columbia's average rate base investment during the collection year since no adjustment is proposed in recognition of additional investment in plant Columbia will be making during the collection year. Recognition of this additional investment must be made if you were to adopt the proposed adjustment to the reserve. It is for this reason the proposed treatment of this issue for rate making purposes is proper and reasonable.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 015:

Refer to the response to Item 25 of the Staff's Second Request regarding increases in various expense accounts in the test year

a. The partial offsets to the $250,000 increase in Account 870, which is explained as being due to a change in account classification of NiSource Corporate Services ("NC Services") charges, equal $124,000. If a change in account classification caused the increase, identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

b. The $270,000 increase in Account 878 is explained as being largely due to a $213,000 increase in labor. Provide the amount of the labor component in calendar year 2007 and explain why the increase of $213,000 occurred.

c. The $1.7 million increase in Account 903 is explained as being due to the change in account classification of NC Services. Identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

d. The $480,000 increase in Account 910 is explained as being due to the change in account classification of NC Services. Identify the accounts that experienced decreases as a result of the change and provide the amounts of those decreases.

Response:

a. In 2008 approximately $400,000 in NiSource Corporate Services Supervision and & Engineering charges were recorded in account 870 (Distribution Supervision & Engineering Expense) where these costs were recorded in account 923 (A&G expense – outside services) in 2007 due to the change in account classification change effective January 1, 2008. Resulting in an increase in account 870 and a decrease in account 923 from 2007 to 2008.

   The referenced $124,000 was made up of a decrease in labor of $96,000, temporary employees of $11,000 and permits and zoning fees of $17,000 unrelated to the change in account classification of NiSource Corporate Services charges that started January 1, 2008.

b. The labor component in calendar year 2007 was $990,568.99. The $213,000 increase in labor is a result of charges made to account 878 Meters and House Regulators, for the activities of meter turn on and turn offs, meter removal and resets, and direct supervision and training. These costs were recorded in Account 923 A&G Expense – Outside Services in 2007.

c. The $1.7 million increase in account 903 Customer Records and Collections, is a result of charges made to the activities for teller operations, postage expense, customer relations, and management services. These costs were recorded in Account 923 A&G Expense – Outside Services in 2007.

d. The $480,000 increase in account 910 Miscellaneous Customer Account Expense, is a result of charges made to the activities for marketing, and management services. These costs were recorded in Account 923 A&G Expense – Outside Services in 2007. Please also see response to AG Set 2-27.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO REQUESTS FOR INFORMATION OF THE COMMISSION STAFF

Data Request 16:

Item 51.a of Staff's Second Request sought the identities of other gas companies for which Mr. Spanos considered estimates of net salvage percentages and whether those estimates were developed by him or his firm. The response refers to the response to AG 1-98, which identifies seven depreciation studies for clients. Explain whether Mr. Spanos attempted to obtain estimate data of net salvage percentages from studies other than those performed by him or his firm. If yes, explain why none were included in the response. If no, explain why no attempt was made.

RESPONSE:

The response to AG-1-098 includes a spreadsheet of almost 50 other studies which identifies estimates of other gas companies that Mr. Spanos or his firm performed. The seven identified studies are only the first page of the attachment. Therefore, there is a much greater sample size than just seven other studies. Additionally, the spreadsheet only reflects recent studies, not the hundreds of studies performed by Gannett Fleming since 1915.

Mr. Spanos has reviewed many studies performed by others; however, those estimates are not included in the comparison documents because Mr. Spanos does not have first-hand knowledge of how those estimates were derived.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 017:

Refer to the response to Item 55 of Staff's Second Request and the table on page 5 of the Direct Prepared Testimony of June M. Konold. The Pension Expense estimated for 2009 is more than $1 million more than the average expense for the ten previous calendar years. The 2009 estimate for Other Post-Employment Benefits ("OPEB") Expense of approximately $792,000, by comparison, is actually less than the average expense for the ten previous years, although it is roughly $200,000 greater than the average for the three years immediately preceding it. Given that the volatility of OPEB Expense is substantially less than that of Pension Expense, explain in detail why Columbia believes that OPEB expense should be included for recovery through the Pension and OPEB mechanism ("Rider POM") it has proposed.

Response:

OPEB expense should be included for recovery through the Pension and OPEB mechanism ("Rider POM") because both OPEB and Pension expense are subject to volatility resulting from the return on plan assets and discount rates. As noted in my testimony for this case, these factors are beyond the control of Columbia. During the period under consideration, the main driver of expense volatility was asset returns. Because the pension plan is larger and better funded than the OPEB plans in aggregate, the impact of asset return volatility was more apparent on pension expense than OPEB expense. However, because OPEB and Pension expense are subject to volatility resulting from the same factors, both OPEB and pension expense should be included in Rider POM to ensure that Columbia's customers pay no more or no less than the prudently incurred costs associated with its Pension and OPEB obligations.

PSC Case No. 2009-00141
Staff Set 3 DR No. 018
Respondent(s): June M. Konold

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 018:

Refer to the response to Item 56 of Staff's Second Request and the responses to Items 1.a. and 7.a. of the Staff's first request to Columbia in Case No. 2009-00168.

a. Based on the estimates provided by its independent actuarial firm, Columbia has booked Pension Expense of $345,915 and OPEB Expense of $163,754 for the first four months of 2009. The proposed adjustment shown on Schedule 0-2.4 of Columbia's application is based on net pension costs. Explain whether the amounts that have been booked in 2009 are gross costs per books or net costs per books.

b. If the amounts referenced in part a. of this request are gross costs per books for 2009, provide the corresponding net costs per books through April 2009.

c. Provide an update of the amounts Columbia has booked in 2009 through the most recent date for which the information is available and update this response monthly until otherwise directed.

d. Provide the monthly gross costs and net costs per books for Pension Expense and OPEB Expense for the last six months of calendar year 2008.

Response:

a. The pension expense of $345,915 and OPEB expense of $163,754 for the first four months of 2009 are net costs.

b. Please refer to the response provided for item a.

c. Following are the actual net amounts that Columbia has booked through June 30, 2009.

	Pension	OPEB	OPEB TO
926 Employee Pensions & Benefits	$496,763	$238,549	$ 140,856

d. Below are the monthly gross costs and net costs per books for Pension Expense and OPEB Expense for the last six months of calendar year 2008.

		July		Aug		Sep		Oct		Nov		Dec		2008
Gross Pension Expense	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(76,068)
Capitalized Overhead	$	-	$	-	$	-	$	-	$	-	$	-	$	-
Net Pension Expense	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(12,678)	$	(76,068)

		July		Aug		Sep		Oct		Nov		Dec		2008
Gross OPEB Expense	$	28,763	$	28,763	$	28,763	$	28,763	$	28,763	$	28,763	$	172,578
Transition Obligation	$	23,476	$	23,476	$	23,476	$	23,476	$	23,476	$	23,476	$	140,856
OPEB Expense	$	52,239	$	52,239	$	52,239	$	52,239	$	52,239	$	52,239	$	313,434
Capitalized Overhead	$	(8,809)	$	(11,151)	$	(10,217)	$	(10,862)	$	8,553	$	(8,279)	$	(40,765)
Net OPEB Expense	$	43,430	$	41,088	$	42,022	$	41,377	$	60,792	$	43,960	$	272,669

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 019:

Refer to the response to Item 61 of Staff's Second Request.

a. The response to Item 61.d. states that hedges for the Price Protection Service ("PPS") and Negotiated Sales Service ("NSS") will not be recovered through the Gas Cost Adjustment. State how the hedging costs will be recovered.

b. Refer to the response to Item 61.i. Given that 807 KAR 5:011, Section 13, requires contracts containing rates or charges not included in the utility's tariffs to be filed with the Commission, explain why Columbia does not intend to file the individual contracts.

Response:

a. The commodity prices charged to the PPS and NSS customers will include recovery for the hedges Columbia makes for the programs.

b. Columbia submits that if the Commission approves the proposed tariff associated with the NSS program, that proposed tariff provides for a negotiated rate, and that this blanket grant of authority for a negotiated rate in such an approved tariff eliminates the need for the filing with the Commission of each individual contract. However, if the Commission directs Columbia to file the individual NSS contracts with the Commission Columbia will do so.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 020:

Refer to the response to Item 67 of Staff's Second Request and to the Prepared Direct Testimony of Mark P. Balmert and Exhibit MPB-5 to that testimony. The response shows comparative data for uncollectible accounts for the years 2001 through 2008 while the testimony and exhibit thereto address the derivation of the over or under-recovered uncollectible expense for the years 2004 through 2008.

a. Explain the process through which Columbia develops the current year provision for uncollectible accounts and how the specific amount is derived.

b. The response shows the amounts charged off by year, which range from a low of $1,017,040 in 2002 to a high of $2,386,960 in 2001. It also shows the current year provision as a percent of total revenue, which range from a low of .0255 percent in 2002 to a high of .9959 percent in 2001. Results of Staff's calculation of the amounts charged off as a percent of total revenue are: 2001 -1.502; 2002 -.887; 2003 -1.061; 2004 -1.341; 2005 -.942; 2006 -1.217; 2007 -.954; 2008 -1.171. Confirm whether Columbia agrees with these results.

c. The amount referenced in the testimony and shown in MPB-5 as the amount of uncollectible expense under-recovered is $1,426,488, which is the amount calculated for the years 2004 -2008. Sheet 6 of 6 of MPB-5 shows that almost $1,420,000 of this amount occurred in 2004 through 2006 and that, for the years 2007 and 2008, the net under-recovery is only $6,621. Given that the gas commodity cost reflected in the uncollectible expense built into Columbia's base rates was substantially increased in its last base rate case, expand and clarify why Columbia believes that an uncollectible rider is necessary.

Response:

a) Columbia Gas of Kentucky, Inc. (CKY) charges off accounts for residential customer receivables in excess of 120 days outstanding from the initial billing date (calendar days). Therefore, the December Provision for Uncollectible Accounts should reflect the portion of receivables recorded for September through December that will not be collected. The net-charge offs for the twelve month ended period (TME) December, divided by the TME August revenues, provides the most recent experience factor. This experience factor is multiplied by the September through December revenues to provide the needed balance of the provision for uncollectible account.

The reserve for high pressure accounts is established on an account by account basis based on a monthly review of trouble pay accounts. If payment or recovery seems unlikely or a company has declared bankruptcy, a reserve is established at that time.

Attachment 1 details the calculation of the uncollectible provision.

b) Columbia agrees with the calculations.

c) The data in MPB-5 shows that from 2004 through 2006 Columbia under recovered $1,419,867.17 as a result of recovery of uncollectible expense through the base rates based off an EGC Commodity rate of $2.9495/Mcf as of March 2002. In addition MPB-5 shows that from 2007 through 2008 that Columbia under recovered $6,621.17 as a result of recovery of uncollectible expense through the base rates based off an EGC Commodity rate of $9.0113/Mcf as of December 2006. Had Columbia not filed its 2007 rate case, the recovery through the base rates would have continued based off an EGC Commodity rate of $2.9495/Mcf as of March 2002 and Columbia's under recovery for the 5 years would have been $2,437,516.72 instead of the $1,426,488.34 incurred or an additional $1,011,028.38 (see Attachment 2, page 2, column 5).

What MPB-5 shows is that the more commodity rates change, the less opportunity Columbia has to recover the uncollectible account expense it incurs as a result of the change through the current method of a fixed level of recovery in base rates. 2007 and 2008 recoveries were close to expense only because of the 2007 rate case. Currently, Columbia's only option is to file rate cases more frequently to minimize the loss in income.

Columbia's proposed Gas Cost Uncollectible Charge would mitigate both under and over recovery of uncollectible accounts caused by billing for the recovery of commodity gas cost expense. The charge does not guarantee dollar-for-dollar recovery, but simply allow Columbia a reasonable opportunity for recovery of commodity gas cost expense. Columbia's customers benefit in at least two ways, 1) the mitigation of the possibility of over recovery of cost in times of declining commodity rates and 2) by decreasing the need for Columbia to file more frequent rate cases.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2009-00141
COMPARATIVE INFORMATION FOR UNCOLLECTIBLE ACCOUNTS
12/31/01 THROUGH 12/31/08
GAS OPERATIONS

Description	12/31/2008	2007	2006	2005	2004	2003	2002	2001
	$	$	$	$	$	$	$	$
Reserve account balance at the beginning of the year	325,181	423,234	509,163	430,446	376,889	77,235	348,888	228,823
Charges to reserve (accounts charged off)	(2,249,227)	(1,355,517)	(1,999,311)	(1,530,085)	(1,957,716)	(1,437,781)	(1,017,040)	(2,386,960)
Credits to reserve account	706,289	586,026	750,934	625,308	809,106	598,086	716,127	1,007,036
Current year provision	1,912,425	671,438	1,162,448	983,494	1,202,187	1,139,346	29,265	1,583,151
Reserve account balance at the end of the year	694,668	325,181	423,234	509,163	430,466	376,886	77,240	432,050
Total Company Revenue (Excludes Unbilled)	192,057,936	142,074,631	164,346,918	162,379,698	145,999,763	135,478,691	114,652,820	158,970,742
Percent of provision to total revenue	0.9958%	0.4726%	0.7073%	0.6057%	0.8234%	0.8410%	0.0255%	0.9959%

Uncollectible accrual calculation

Low Pressure Description	Actual (000's)	Actual (000's)	Actual (000's)	Actual (000's)	Actual (000's)	Actual (000's)	Actual (000's)	Actual (000's)
RESIDENTIAL BILLED SALES - SEP THROUGH AUG	106,449	80,760	107,320	90,720	94,946	79,346	70,615	110,704
PLUS UNBILLED RESIDENTIAL SALES AUG,current year	2,163	1,349	1,580	1,590	1,568	1,491	1,125	1,608
LESS UNBILLED RESIDENTIAL SALES AUG prior year	(1,349)	(1,580)	(1,590)	(1,568)	(1,491)	(1,125)	(1,608)	(1,400)
TOTAL	107,263	80,529	107,310	90,742	95,023	79,712	70,132	110,912
NET CHARGED-OFF 12 MONTHS ENDED DEC current year	1,513	561	1,249	904	1,145	768	235	1,408
% OF SALES	0.01410552	0.00696643	0.01163918	0.00996231	0.01204971	0.00963468	0.00335082	0.01269475
RESIDENTIAL BILLED SALES - SEP THROUGH DEC current	34,117	25,377	22,931	31,284	20,844	23,590	19,342	18,443
PLUS UNBILLED RESIDENTIAL SALES DEC current year	12,622	9,296	6,398	14,588	10,592	10,063	6,570	8,881
LESS UNBILLED RESIDENTIAL SALES AUG,current year	(2,163)	(1,349)	(1,580)	(1,590)	(1,568)	(1,491)	(1,125)	(1,608)
SUB TOTAL	44,576	33,324	27,749	44,282	29,868	32,162	24,787	25,716
% OF SALES CALCULATION	0.01410552	0.00696643	0.01163918	0.00996231	0.01204971	0.00963468	0.00335082	0.01269475
Ratio Balance 12/31 current year	629	232	323	441	360	310	83	326
Estimated over 120 days Charged Off	0	0	0	0	0	0	0	0
Desired Balance 12/31 current year	629	232	323	441	360	310	83	326
LESS RESERVE BALANCE 1/1 prior year	232	323	441	360	310	83	326	234
PLUS current year NET CHARGE-OFF	1,513	561	1,249	904	1,145	768	235	1,408
CALCULATED ACCRUAL FOR current year	1,910	470	1,131	985	1,195	995	(8)	1,500
High Pressure								
Current year activity based on individual account review	2	201	31	(2)	7	144	37	83
Total Uncollectible Accrual	1,912	671	1,162	983	1,202	1,139	29	1,583

Account 904 Expense Recovered on Commodity Gas Cost Recovery through Base Rates

Year (1)	Uncollectible Rate Basis Rate (2)	Uncollectible Rate Basis Case No. (3)	EGC Commodity Rate Basis Rate (4) ($/Mcf)	EGC Rate Basis Eff. Date (5)	Uncollectible Recovery Rate Basis (6) ($/Mcf)	EGC Billed Volumes (Mcf) (7) (Mcf)	Uncollectible Recovery (8=6*7) ($)
2004	0.00835866	2002-00145	2.9495	3/02	0.0247	9,877,616.6	243,977.13
2005	0.00835866	2002-00145	2.9495	3/02	0.0247	10,776,150.8	266,170.92
2006	0.00835866	2002-00145	2.9495	3/02	0.0247	10,583,950.7	261,423.58
1/07 - 8/07	0.00835866	2002-00145	2.9495	3/02	0.0247	8,335,192.1	205,879.24
9/07 - 12/07	0.01163918	2007-00008	2.9495	12/06	0.0343	2,672,127.2	91,653.96
2007						11,007,319.3	297,533.20
2008	0.01163918	2007-00008	2.9495	12/06	0.0343	11,648,388.1	399,539.71

Recovery of Uncollectible Accounts on Commodity Gas Cost Recovery Summary

Month (1)	Year (2)	Uncollectible Expense Resulting From EGC Commodity (3)	Base Rate Uncollectible Recovery (4)	Actual Over(Under) Recovery (5=4-3)
	2004	595,511.82	243,977.13	(351,534.69)
	2005	730,951.80	266,170.92	(464,780.88)
	2006	864,975.18	261,423.58	(603,551.60)
	2007	484,832.77	297,533.20	(187,299.57)
	2008	1,229,889.69	399,539.71	(830,349.98)
Total		3,906,161.26	1,468,644.54	(2,437,516.72)

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 021:

Columbia Gas of Pennsylvania, Inc. ("CGP") presently operates a pilot PPS program.

a. Describe in detail how the features of that pilot program compare to the PPS program proposed by Columbia. Specifically identify all areas in which it differs from Columbia's proposed PPS.

b. Is there a PPS program or something similar currently approved for any NiSource company other than CGP? If yes, describe in detail how it compares to the PPS program proposed by Columbia.

c. Has any other NiSource company proposed a PPS program that was denied? If yes, explain in detail the basis on which it was denied.

Response:

Columbia objects to this Request on the grounds that it seeks information that is irrelevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. The programs of other companies in other states, each with unique rules and regulatory environments, is not relevant to what Columbia has proposed in Kentucky. Without waiving its objection, Columbia provides the response below.

a. While Columbia Gas of Pennsylvania has a rate called "Rate PPS – Price Protection Service" it differs in many ways from the program proposed for Columbia Gas of Kentucky.
    1. CGP's program is a two year pilot program while Columbia's proposed program for Kentucky is not.
    2. CGP's program can file new prices on one day's notice with the commission, while Columbia's proposed program will file prices 30 days before they become effective.
    3. CGP's program is only available to Residential and Commercial customers if they use less than 600 mcf per year, while Columbia's proposed program is available to any class of customer using less than 25,000 mcf per year.
    4. CGP's program can only offer fixed prices while Columbia's proposed program can offer fixed or index based prices.
    5. CGP's program can only offer 12 different prices per year, while Columbia's proposed program does not have any limit to the number of prices it can offer.
    6. CGP's program can only have one price open at any one time, while Columbia's proposed program can have multiple prices open at a time.

7. CGP's program has limitations on how it can be marketed, while Columbia's proposed program does not have any limitations on marketing.
8. CGP's program has a standard of conduct that it must follow, while Columbia's proposed program does not have a standard of conduct it must follow.

b. Currently three NiSource companies have programs similar to PPS. Columbia Gas of Pennsylvania has a PPS tariff rate, NIPSCO has a PPS tariff rate, and Columbia Gas of Virginia ("CGV") offers a Government Account Program. All of these programs have some similarities and some differences with Columbia's proposed program. CGP's program differences are described above, and the differences and similarities of the others are listed below.

NIPSCO's PPS rate

1. NIPSCO's rate is available to all residential and commercial customers while Columbia's proposed program is available to customers using less than 25,000 mcf per year.
2. NIPSCO's rate offers a variable price option that has a cap, while Columbia's proposed program has a index price option and does not have a price cap.
3. NIPSCO's rate has an early termination fee that does not have a cap while Columbia's proposed program has a cap on the early termination fee.
4. NIPSCO's rate uses streamed gas for the program while Columbia's proposed program uses gas from a common pool of supply and credits back to the GCA at a monthly WACOG rate.
5. Both NIPSCO's rate and Columbia's program offer fixed prices.
6. Both NIPSCO's rate and Columbia's proposed program have a minimum term of 1 year.
7. Both NIPSCO's rate and Columbia's proposed program do not have a standard of conduct to follow.
8. Both NIPSCO's rate and Columbia's proposed program do not have any limitations on the marketing of the programs.

Columbia Gas of Virginia's Government Account Program

1. CGV's program is only available to government accounts, while the proposed program is available to all classes of customers
2. CGV's program does not have any volumetric limits while the proposed program is limited to customers using less than 25,000 mcf per year.
3. CGV's program does not file its prices with the commission while the proposed program will file the rates with the commission.
4. CGV's program offers terms as short as one month while Columbia's proposed program has a minimum term of one year.
5. CGV's program is offered by the utility outside of the tariff but it has been reviewed by the commission, while Columbia's proposed program is a tariff rate.
6. Both the proposed program and CGV's program offer fixed and index rates.

7. Both the proposed program and CGV's program use a WACOG to credit the gas used back to the GCA.
8. Both the proposed program and CGV's program use hedges to manage the risk of offering the programs.
9. Both the proposed program and CGV's program have the utility assuming the risk without the ability to recover losses from other customers.
10. Both the proposed program and CGV's program do not have a standard of conduct to follow.
11. Both the proposed program and CGV's proposed program do not have any limitations on the marketing of the programs.

c. No, to my knowledge no NiSource company has proposed a PPS program that was denied by a commission.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 022:

The proposed early termination fee of $10 per month not to exceed $60 does not appear in the proposed PPS tariff. Identify the location of this proposed charge in Columbia's proposed tariff.

Response:

Due to inadvertent error, the early termination fee was not included in the proposed tariff. Columbia will add the early termination fee to the proposed tariff.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 023:

Refer to Second Revised Sheet No. 20 of Columbia's proposed PPS tariff. The first paragraph in the GAS COST section says "In the event the service is automatically extended ... the applicable Fixed Price ... shall be the price posted by the Company as its Fixed Price in the month prior to the first month of the new service term." Explain whether Columbia will provide notice of the new applicable Fixed Price to customers who are extending PPS into a subsequent year.

Response:

Yes, Columbia will provide written notice to the customers of what the new price is in advance of that new price taking effect. The customers would have the option to not accept the new price when that notification is made.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 024:

Explain whether Columbia has considered establishing calculations for a "ceiling" and "floor" for the PPS rates similar to the rate parameters approved for CGP.

Response:

Columbia has not considered establishing "ceiling" or "floor" calculations for the proposed PPS program. It is Columbia's intention to offer market-based prices. Given that any "ceiling" or "floor" calculation would also be market-based, Columbia's price will be between those making it unnecessary to have the other calculations.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 025:

Explain whether Columbia has considered establishing standards of conduct applicable to the PPS service similar to those approved for CGP.

Response:

No, as previously discussed in the response to Staff Set 3 DR No. 021, there are many differences between the CGP program and Columbia's proposed PPS program. Columbia does not believe it is necessary to have standards of conduct for the proposed PPS program.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 026:

Provide a detailed description of CGP's experience with its PPS pilot program. This should include, at minimum: the number of PPS customers per year, per eligible customer class, the percentage they represent of the eligible customers, per year, per eligible customer class since the program's inception; the number of customers in CGP's equivalent of Columbia's Customer Choice Program per year beginning with the year prior to the PPS program's inception; and any regulatory actions or rulings regarding the PPS program since its inception.

Response:

CGP started advertising the PPS program in March 2009. The first customers were enrolled in March. Due to the recent start of the program CGP does not have the annual information requested.

The PPS pilot was approved in 2006, since that time the Pennsylvania PUC has not made any rulings or regulatory actions regarding PPS.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 027:

Explain how Columbia"s system line loss will be reflected in the PPS rate.

Response:

The PPS rates offered will be burner-tip rates, that would include Columbia's system line loss. Similarly the WACOG will be a burner-tip rate that is inclusive of line loss.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 028:

Explain how the costs of offering PPS service, including administrative, operating, bad debt costs, advertising, and billing will be allocated to and charged through the PPS rate.

Response:

The advertising costs for PPS will be recovered through the rates charged to the PPS customers. The bad debt costs for the commodity will also be recovered through the rates charged to the PPS customers. As a sales service all other administrative and operating costs will be recovered through the base rates like all other sales service customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 029:

What effect, if any, does Columbia anticipate the proposed PPS program having on its Customer Choice program? Specifically, describe the effect Columbia anticipates the PPS having on competition in the small volume natural gas market.

Response:

Columbia does not anticipate PPS having a material effect of the Customer CHOICE Program. PPS is another sales service option for customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 030:

Explain whether Columbia has considered offering PPS service on a pilot basis, limited to a specific number of customers, similar to the CGP pilot.

Response:

No, Columbia has not up until this time considered offering PPS as a pilot. Our intent is to offer PPS as another sales service offering to customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 031:

Is there a NSS program or something similar currently approved for any other NiSource company? If yes, describe in detail how it compares to the NSS program proposed by Columbia.

Response:

Columbia objects to this Request on the grounds that it seeks information that is irrelevant to the subject matter of this proceeding and is not reasonably calculated to lead to the discovery of admissible evidence. The programs of other companies in other states, each with unique rules and regulatory environments, is not relevant to what Columbia has proposed in Kentucky. Without waiving its objection, Columbia provides the response below.

Yes, two other NiSource companies offer NSS type rates. They are Columbia Gas of Pennsylvania ("CGP") and NIPSCO. Both of their rates have some differences and some similarities with Columbia's proposed NSS rate.

CGP's Rate NSS – Negotiated Sales service is a tariff rate in CGP that allows the CGP to negotiated fixed or variable price contracts for gas commodity with customers.

- CGP's NSS rate is available to customers using more than 6,000 mcf per year while Columbia's proposed program is available to customers using more than 25,000 mcf per year.
- CGP's NSS rate uses streamed gas supplies for its fixed price while Columbia's proposed program uses a common pool of supply and a WACOG to credit the GCA.
- CGP's NSS rate gives customers the option to nominate their gas monthly or let the utility handle the supply while Columbia's proposed rate will only offer the option of the utility managing the supply.
- For the variable price option CGP's NSS rate credits the GCA at the monthly cost of gas much like the WACOG method in Columbia's proposed rate.
- Both CGP's rate and Columbia's proposed rate offer fixed and variable price options, allow individual negotiations with the customers, and the option of firm or interruptible supply.

NIPSCO's rate Rate 330 Large Volume Negotiated Sales Service is a tariff rate that allows the utility to negotiate the price of commodity to customers.

- NIPSCO's rate is available to customers averaging at least 200 dth per day while Columbia's proposed program is available to customers using more than 25,000 mcf per year.
- NIPSCO's rate requires the customers to nominate their gas monthly while Columbia's proposed rate will manage the supplies for the customers without nominations.
- NIPSCO's rate allows the utility to also negotiate the distribution rates while Columbia's proposed program will have the customers pay the same distribution rates they would under other tariff rates.
- Both NIPSCO's rate and Columbia's propose rate require the customer to agree to a minimum term of one year.
- Both NIPSCO's rate and Columbia's proposed rate offer fixed and variable price options, allow individual negotiations with the customers, and the option of firm or interruptible supply.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 032:

Has any other NiSource company proposed a NSS program that was denied? If yes, explain in detail the basis on which it was denied.

Response:

To my knowledge no NiSource company has proposed a NSS program that was denied.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 033:

Provide the number of customers that have contacted Columbia about their desire for a negotiated fixed rate such as NSS. Identify how many are currently sales service customers and how many are transportation service customers.

Response:

Columbia conducted a limited survey of some of its large customers. In that survey 3 of the 7 customers stated that they would like the option of buying gas from Columbia if Columbia could negotiate market rates.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 034:

Explain whether Columbia has proposed the NSS service because it has concluded that there are insufficient options for its larger volume customers to obtain gas supply at negotiated rates.

Response:

Columbia is proposing NSS to provide an additional option for customers based on the feedback it has received from its larger customers. Based on feedback from customers, some of Columbia's customers do not believe that there are sufficient options available for them.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 035:

Explain whether Columbia has considered establishing rate "ceilings" and "floors" for the NSS service rates.

Response:

Columbia has not considered establishing "ceiling" or "floor" calculations for the proposed NSS program. It is Columbia's intention to offer market-based prices. Given that any "ceiling" or "floor" calculation would also be market-based, Columbia's price will be between those making it unnecessary to have the other calculations.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 036:

Explain how Columbia's system line loss will be reflected in the NSS rate.

Response:

The NSS rates offered will be burner-tip rates that would include Columbia's system line loss. Similarly the WACOG will be a burner-tip rate that is inclusive of line loss.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 037:

Explain how the costs of offering NSS service, including administrative, operating, bad debt costs, advertising, if any, and billing will be allocated to and charged through the NSS rate.

Response:

The advertising costs for NSS will be recovered through the rates charged to the NSS customers. The bad debt costs for the commodity will also be recovered through the rates charged to the NSS customers. As a sales service all other administrative and operating costs will be recovered through the base rates like all other sales service customers.

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 038:

Refer to the response to Item 24.b. of the AG's Initial Request which indicates that off system sales revenues and expenses have been eliminated from the test year through the annualization of revenue and gas cost expense on Schedule M-2.2. Schedule M-2.2 normalizes revenues and gas cost expense for Columbia's customer rate classes. Explain how the annualization of revenues and gas costs related to base rates eliminates off system sales revenues and expenses.

Response:

Off system sales revenues and expenses were excluded during the normalization of test year revenue and gas cost expense at current rates on Schedule M-2.2.

Therefore, as shown on Schedule D-2.1 Page 3 of 6 Line 1, the normalized other gas department revenue of $683,915 excludes off system sales revenues. The $10,897,017 of off-system revenues are adjusted out of the test year when compared to per books other gas department revenue on Line 2, which includes the $10,897,017 of off system sales revenue.

Likewise, as shown on Schedule D-2.1 Page 4 of 6 Line 1, the normalized gas cost expense excludes the off system sales expense. The $10,897,017 of off-system expenses are also excluded from the test year when compared to per books gas cost expense on Line 5, which includes the $10,897,017 off system sales expense.

PSC Case No. 2009-00141
Staff Set 3 DR No. 039
Respondent(s): Mark Balmert

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 039:

Refer to the response to Item 37.b. of the AG's Initial Request and Schedule M-2.3 in Volume 6 of 8 of Columbia's application. Explain why $1,063,315 (the total of the gas cost uncollectible charge revenue amounts included in Schedule M-2.3) is not considered the uncollectible expense associated with the commodity cost of gas.

Response:

While Columbia does not currently differentiate the uncollectible commodity gas cost recovery revenues from other uncollectibles on its books, the calculated uncollectible expense associated with the March 2009 commodity cost of gas is $1,063,315. Please see detail below.

Rate Schedule	Mcf	Rate/Mcf	Amount	Reference
GSR	6,825,692.4	$0.0964	$657,997	Sch. M-2.3, Pg 3, Ln 7
GSO – Comm	4,029,933.7	0.0964	388,485	Sch M-2.3, Pg 14, Ln 9
GSO – Ind	155,474.1	0.0964	14,988	Sch M-2.3, Pg 15, Ln 9
IUS	19,134.0	0.0964	1,845	Sch M-2.3, Pg 20, Ln 6
Total			$1,063,315	

COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO THIRD DATA REQUEST OF COMMISSION STAFF

Data Request 040:

Refer to the response to Item 60 of the AG's Initial Request and Schedule C-2.1 in Columbia's application.

a. This response describes errors in Schedule D-2.1, page 5 of 6. Provide a corrected Schedule 0-2.1, page 5 of 6.

b. Confirm whether or not the amount of uncollectible expense for which Columbia is seeking recovery is $1,886,450 ($2,451,089 from Schedule C-2.1, page 2 of 2, minus the $564,639 identified in paragraph (3) of the response). If not, provide the amount being requested along with its derivation and a description thereof.

Response:

a. Please see the attachment.

b. The amount of uncollectible expense for which Columbia is seeking recovery is the sum of unadjusted per books uncollectible expense of $2,451,089 from Schedule C-2.1, page 2 of 2, minus the $569,965 adjustment shown in corrected Schedule D-2.1, Sheet 5 (attachment to part a. of this response), plus 1.410552% (see Schedule H-1 uncollectible ratio) of the requested revenue on Schedule C-1 after all corrections identified in response to data request AG Set 1-60 are made.

   The $564,639 identified in paragraph (3) of the response reflects the impact to revenue requirement resulting from the correction of the uncollectible adjustment and associated working capital and taxes, not only the uncollectible adjustment itself.

COLUMBIA GAS OF KENTUCKY, INC.
CASE NO. 2009-00141
UTILITY JURISDICTIONAL ADJUSTMENT
ANNUALIZATION OF UNCOLLECTIBLE ACCOUNTS EXPENSE
TWELVE MONTHS ENDED DECEMBER 31, 2008

RESPONSE TO PSC SET 3-40(A)
CORRECTED SCHEDULE D-2.1
SHEET 5 OF 6
WITNESS: J. F. RACHER

Data:___X____Historic Period_______Forecasted Period
Type of Filing:___X_____Original________Updated
Workpaper Reference No(s). WPD-2.1

LINE NO.	PURPOSE AND DESCRIPTION		AMOUNT
			$
	PURPOSE AND DESCRIPTION: Uncollectible Accounts expense has been adjusted to reflect the current level as shown on Schedule H and to annualize the EAP surcharge.	Schedules	
1	Annualized Residential Revenue - Sales	M-2.2	93,281,165
2	Annualized Residential GTS - Choice	M-2.2	6,736,145
3	Total Annualized Residential Revenue		100,017,310
4	Accrual Rate	H-1	1.410552%
5	Adjustment to O&M for Uncollectible Accounts Expense		1,410,796
6	Less: General Service Uncollectible Accounts Expense per Books	C-2.1	1,910,000
7	Adjustment Uncollectible Accounts		(499,204)
8	Annualized EAP recovery included in Account 904	M-2.2, pages 3 & 21	467,903
9	Per Books EAP included in Account 904		538,664
10	Adjustment EAP Account 904		(70,761)
11	Jurisdictional Allocation Percentage		100.000%
12	Jurisdictional Amount		(569,965)

**COLUMBIA GAS OF KENTUCKY, INC.
RESPONSE TO REQUESTS FOR INFORMATION OF THE
COMMISSION STAFF**

Data Request 41:

Refer to the response to Item 108 of the AG's first request. The industry statistics provided as support for the amortization periods included in Mr. Spanos's depreciation study are for 12 clients. Explain whether Mr. Spanos attempted to obtain amortization statistics from studies other than those of his firm's clients. If yes, explain why none were included in the response. If no, explain why no attempt was made.

RESPONSE:

The response and attachment to AG-108 includes almost 40 studies, not just 12. Amortization has been implemented since the early 1990s, so there are many companies utilitizing amortization for general plant assets. Mr. Spanos has viewed studies performed by others related to amortization; however, they are not included in his comparative schedules because Mr. Spanos does not have first-hand knowledge of how the estimates are derived.