Columbia Gas of Kentucky
A NiSource Company

2001 Mercer Road
Lexington, KY 40511

June 25, 2009

RECEIVED
JUN 29 2009
PUBLIC SERVICE COMMISSION

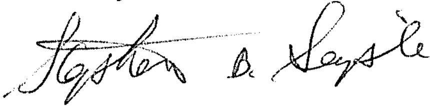
Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602

Re: Case No. 2009-00168

Dear Mr. Derouen,

Enclosed for filing are the original and eleven (11) copies of Columbia Gas of Kentucky, Inc.'s responses to the Second Data Request of Commission Staff in the above case. Please docket the original and ten (10) copies and return the extra copy to me in the self addressed stamped envelope enclosed. Should you have any questions about this filing, please contact me at 614.460.4648 or sseiple@nisource.com. Thank you.

Sincerely,



Stephen B. Seiple
Assistant General Counsel

Enclosures

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

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

Data Request 001:

Refer to the response to item 1.c. of the First Data Request of Commission Staff ("Staff's First Request").

a. The breakdown of Pension Expenses shows that changes in two components of Net Pension Expense, Expected Return on Assets and Amortization (Gain)/Loss, are the primary reasons for the estimated increase in Net Pension Expense in 2009 compared to prior years. The response to items 1.c and 5 generally describe how Expected Return on Assets is impacted by economic/market conditions. Explain why the Amortization (Gain)/Loss increases from essentially zero in 2008 to $541,845 (estimated) in 2009. Identify the relationship, if any, between the $541,845 of Columbia and the $21 million loss amortization of the Columbia Energy Group ("CEG") Plan shown in the response to item 5 of Staff's First Request.

b. Net Pension Expense estimated for 2009 is roughly $1,050,000 greater than the average expense for the three previous calendar years. The 2009 estimate for Net Other Post-Retirement Benefits ("OPEB") Expense of approximately $510,000, by comparison, is roughly $198,000 greater than the average for the three previous years. Given that the volatility and overall magnitude of Net OPEB Expense is substantially less than that of Net Pension Expense, explain in detail why Columbus believes that OPEB expense should be included in the regulatory asset for which it is seeking Commission approval.

Response:

a. When accumulated gains or losses exceed a corridor defined as ten percent of the larger of the Projected Benefit Obligation or the Market-Related Value of Assets, then the excess is amortized into expense over the average remaining service of active employees. In 2008, the Columbia Qualified Pension Plan did not have accumulated gains or losses in excess of the 10% corridor, so there was no amortization component (the small amount shown in 2008 is attributable to the Nonqualified Pension Plan). In 2009, due mostly to asset losses during 2008, the Columbia Qualified Pension Plan had accumulated losses well in excess of the 10% corridor. The loss amortization of $541,845 represents the portion of the Columbia Qualified Pension Plan's $21 million loss amortization that was allocated to Columbia Gas of Kentucky. This allocation was determined proportionately to Projected Benefit Obligation (Columbia of Kentucky liabilities make up approximately 2.6% of the total plan liability).

b. OPEB expense should be included in the regulatory asset with Pension expense because both OPEB and Pension expense are subject to volatility resulting from the return on plan assets and discount rates. As noted in the application in 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 the regulatory asset to ensure that Columbia's customers pay no more or no less than the prudently incurred costs associated with its Pension and OPEB obligations.

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

Data Request 002:

Refer to the response to item 5 of Staff's First Request, which refers to losses for the NiSource Master Retirement Trust being amortized over 11.1 years while losses for the CEG Plan are amortized over 11.8 years. Explain how the number of years in the amortization period of each plan is determined and why the amortization periods differ.

Response:

The amortization period is defined by SFAS No. 87 as the average remaining service period of active employees expected to receive benefits from the plan. For the Columbia Qualified Pension Plan, this is 11.8 years. The remainder of the NiSource Master Retirement Trust is actually made up of five separate plans, each of which determines its own average remaining service period for loss amortizations. The weighted average for this group is approximately 11.1 years. The variation from plan to plan is due to the differing demographics of the employees in each plan and the differing retirement assumptions for each plan.