

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA	)	
GAS OF KENTUCKY, INC. TO EXTEND ITS	)	CASE NO.
GAS COST ADJUSTMENT PERFORMANCE	)	2017-00453
BASED RATE MECHANISM	)	

COMMISSION STAFF'S POST-REHEARING REQUEST FOR  
INFORMATION TO COLUMBIA GAS OF KENTUCKY, INC.

Columbia Gas of Kentucky, Inc. (Columbia Kentucky), pursuant to 807 KAR 5:001, is to file with the Commission an electronic version of the following information. The information requested herein is due on or before June 12, 2020. The Commission directs Columbia Kentucky to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>1</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the

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<sup>1</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Columbia Kentucky shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Columbia Kentucky fails or refuses to furnish all or part of the requested information, Columbia Kentucky shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Columbia Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Provide the history of Columbia Kentucky's service from Central Kentucky Transmission (Central KY), the details of the current service provided by Central KY and of the pending abandonment of capacity rights, and describe what level of service, if any, will be provided to Columbia Kentucky by Central KY in the future. The explanation should include why any abandonment of service from Central KY is favorable to Columbia Kentucky's customers.

2. Provide a copy of the most recently updated contract between Columbia Kentucky and Columbia Gas Transmission Corporation (TCO). Further, explain in detail all modifications between the prior contract and the new contract, and be sure to discuss whether the contract price is higher or lower under the new contract, and how the modifications benefit Columbia Kentucky's customers.

3. State what impact Columbia Kentucky expects the Central KY and TCO contract modifications will have on Transportation Cost Incentive (TCI), Capacity Release, and Off System Sales savings, if any.

4. Refer to Columbia Kentucky's response to Commission Staff's First Rehearing Request for Information (Staff's First Rehearing Request), Item 19, in which Columbia Kentucky provided a list of 12 other states that have approved natural gas procurement Performance-Based Rate (PBR) mechanisms. Provide additional information for each utility by state, indicating whether the approved PBR mechanisms have any dollar or percentage caps on the utility's sharing portion. To the extent such caps exist, explain how incorporating those into a PBR could provide a reasonable limit to utility sharing of gas cost savings, and still provide an incentive to reduce gas cost consistent with security of supply.

5. Provide a copy of Columbia Kentucky's most up to date PBR information as filed in Case No. 2020-00143, Columbia Kentucky's Application for Purchased Gas Adjustment, Schedule 6.<sup>2</sup>

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<sup>2</sup> Case No. 2020-00143, *Electronic Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc.* (filed Apr. 29, 2020).

6. Refer to Case No. 2020-00143, Performance Based Rate Adjustment, Schedule No. 6. Columbia Kentucky's PBR report covers the months of April 2019 through March 2020, and Columbia Kentucky's prior PBR mechanism was in place for the months of April 2019 through September 2019.

7. The following questions relate to the April 2019 through September 2019 period.

a. Confirm that Columbia Kentucky reported savings of \$4,065,489, of which \$1,945,908, or 47.86 percent, was retained by Columbia Kentucky.

b. Confirm that savings greater than 2 percent of gas costs accounted for 93 percent of the retained savings for this period.

c. Discuss whether the fact that, under Columbia Kentucky's prior PBR mechanism, Columbia Kentucky's retained savings percentage was almost entirely at the second tier points to a well-designed mechanism, with appropriate benchmarks and sharing percentages.

d. Confirm that 8.23 percent of the gas costs that Columbia Kentucky passed on to its customers through the Purchased Gas Adjustment (PGA) were retained savings.

e. Discuss whether an 8.23 percent increase in gas costs is a fair result for Columbia Kentucky's customers.

f. Confirm that the retained savings represent 8.96 percent of Columbia Kentucky's actual gas costs for the same period.

g. Discuss whether an 8.96 percent margin on gas costs is a fair compensation for Columbia Kentucky's effort and risk under the PBR.

8. Refer to Case No. 2020-00143, Performance Based Rate Adjustment, Schedule No. 6. Columbia Kentucky's PBR report covers the months of April 2019 through March 2020, and Columbia Kentucky's current PBR mechanism was in place for the months of November 2019 through March 2020. The following questions relate to the November 2019 through March 2020 period.

a. Confirm that Columbia Kentucky reported savings of \$428,778, of which \$159,080, or 37.10 percent, was retained by Columbia Kentucky.

b. Confirm that savings greater than 2 percent of gas costs accounted for 47 percent of the retained savings for this period.

c. Discuss whether the fact that, under Columbia Kentucky's current PBR mechanism, Columbia Kentucky's retained savings percentage was almost evenly split between the tiers points to a well-designed mechanism, with appropriate benchmarks and sharing percentages.

d. Confirm that 1.10 percent of the gas costs that Columbia Kentucky passed on to its customers through the PGA were retained savings.

e. Discuss whether a 1.10 percent increase in gas costs is a fair result for Columbia Kentucky's customers.

f. Confirm that the retained savings represent 1.12 percent of Columbia Kentucky's actual gas costs for the same period.

g. Discuss whether a 1.12 percent margin on gas costs is a fair compensation for Columbia Kentucky's effort and risk under the PBR.

9. Refer to Rehearing Direct Testimony of Michael D. Anderson, page 8, and TCO's tariff, 52 – Capital Cost Recovery Mechanism (CCRM).

a. Confirm that the CCRM does not apply to Columbia Kentucky's Storage Service Transportation (SST) contract.

b. Explain whether Columbia Kentucky's SST contract is a contract for capacity on incrementally-priced projects that is not subject to the CCRM or a discounted contract.

c. Given that TCO must impute billing determinants for discounted contracts when determining the CCRM rate, explain whether the CCRM rate was taken into consideration when Columbia Kentucky negotiated its current TCO contract.

10. Refer to the Rehearing Direct Testimony of Judy M. Cooper (Cooper Testimony), pages 9–10.

a. Explain in detail why the percentage increase used in calculating the alternative benchmark is based on the difference between the 2014 Base SST rate and the 2019 Total FERC Approved rate.

b. Explain in detail why Columbia Kentucky did not calculate the gross-up factor based on either the increase in the Base SST rate or the increase in the Total FERC Approved rate.

c. Although page 10 of the testimony states that Step 1 of the calculation is intended to "Calculate the difference in the FERC approved Columbia Transmission tariff rate when the PBR was first approved compared to the current FERC approved Columbia Transmission tariff rate," the PBR was not approved until April 2015. Explain why the 2014 Base SST rate was used in the calculation instead of the April 2015 rate, and provide Columbia Kentucky's alternative benchmark calculation using the April 2015 rate as the starting point.

d. Provide alternative benchmark calculations showing the New Columbia Transmission Benchmark based upon the increase in the Base SST rate from 2014 to 2019 and from April 2015 to 2019.

e. Provide alternative benchmark calculations showing the New Columbia Transmission Benchmark based upon the increase in the Total FERC Approved TCO SST rate from 2014 to 2019 and from April 2015 to 2019.

f. During the cross-examination of witness Anderson, he suggested that specific surcharges could be removed from the Total FERC Approved TCO SST rate in order to calculate a benchmark that was not predicated on the Base SST rate as the starting point and the Total FERC Approved TCO SST rate as the end point. Provide all reasonable alternative calculations for the alternative benchmark rate, with a discussion as to the relative merits of each. The discussion should include the alternative calculations required in parts c through e above.

g. Provide the Pre-sharing TCI Value Tied to SST, assuming each of the alternative benchmark calculations required by c through f above, for the months November 2019 through the most current month possible.

11. Confirm that the information provided in Columbia Kentucky's response to Staff's First Rehearing Request, Item 6, Attachment A, can be used to correctly calculate percentage increases for the alternative TCO benchmark. If not, provide the necessary information that can be used to perform such percentage calculations. The information should be provided electronically in Excel spreadsheet format with cells unprotected.

12. Provide Columbia Kentucky's Net Income, PBR Profit, and PBR percentage of Net Income for each year from 2010 to present.



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Public Service Commission  
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DATED MAY 29 2020

cc: Parties of Record

Case No. 2017-00453



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