

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA)	
GAS OF KENTUCKY, INC. FOR AN)	
ADJUSTMENT OF RATES; APPROVAL OF)	CASE NO.
DEPRECIATION STUDY; APPROVAL OF)	2021-00183
TARIFF REVISIONS; ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY; AND OTHER RELIEF)	

COMMISSION STAFF'S SECOND 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 July 21, 2021. The Commission directs Columbia Kentucky to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085¹ 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. All responses 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

¹ 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.

association or a governmental agency, be accompanied by a signed certification of the 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 Columbia Kentucky obtains information that indicates 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. Refer to the Application, Tab 35, the table listing the major construction projects in Columbia Kentucky's forecasted capital budget. State whether Columbia Kentucky used the estimated end dates therein as the in service dates for those major construction projects for the purpose of projecting rate base in the forecast period. If not, explain in detail why it did not use those dates.

2. Refer to the Application, Tab 36, the table listing the smaller projects in Columbia Kentucky's forecasted capital budget. Explain how Columbia Kentucky projected the in service dates for the capital spending reflected in that tab for the purpose of calculating additions during the forecast period.

3. Refer to the Application, Volume 8, Tab 79, page 5 of 7. Provide support for the projected outstanding short-term debt balances.

4. Provide support for the short-term forecasted interest rate of 1.40 percent.

5. Refer to the Application, Tab 82, page 42 of 94, Schedule M-2.3, page 1 of 21, Annualized Test Year Revenues at Proposed Rates for the 12 Months Ended December 31, 2022.

a. Explain how the amount of \$460,638 listed for Forfeited Discounts was derived and provide the underlying data used to arrive at that amount.

b. Provide the amount of the \$460,638 that is attributable to residential customers and the underlying data used to arrive at that amount.

6. Refer to the Direct Testimony of Kimra H. Cole, page 9, lines 10–12.

a. Provide the number of customers on payment plans and the associated total dollar amount due from those customers as a results of the COVID-19 pandemic.

b. Provide the monthly number of disconnections due to nonpayment since the moratorium was lifted.

7. Refer to the Direct Testimony of David A. Roy (Roy Testimony), page 5. Provide the location of this remaining bare steel and cast or wrought iron pipe, describe its condition, and when is it likely to be replaced.

8. Refer to the Roy Testimony, page 50, lines 7–8. Provide the analysis used to assess various products and provide support for the selection of Uptime MRP.

9. Refer to the Roy Testimony, page 35, line 1.

a. Provide any financial analysis performed to support the cost of the proposed Picarro pilot.

b. If Columbia Kentucky determines to move forward with this leak survey technology, explain how the cost and benefits will be analyzed to support the decision to utilize this technology.

10. Refer to the Roy Testimony, page 35, line 3. Confirm that Columbia Kentucky will provide results of the Picarro pilot with the Commission's Pipeline Safety Staff to ensure all requirements of 49 C.F.R. Subpart M 192.721 are met.

11. Refer to the Roy Testimony, page 29, line 10. Provide when Columbia Kentucky plans to include the costs of the Cross Bore program into the budget.

12. Refer to the Roy Testimony, page 35, line 13. If approved, explain whether Columbia Kentucky would consider allowing the training facility to be utilized by other gas utilities, such as Kentucky municipal gas systems, for much needed training purposes when Columbia Kentucky is not using the facility.

13. Refer to the Roy Testimony, page 51, line 1, through page 52, line 9, regarding the proposed addition of the replacement of first generation pipe to the Safety Modification and Replacement Program Rider (SMRP).

a. Explain whether the replacement of first generation pipe would be incidental to larger SMRP projects or whether it would be a separate, distinct project.

b. For the past five calendar years, provide the amount spent replacing first generation pipe.

c. For the next ten calendar years, provide the projected amount that will be spent replacing first generation pipe.

14. Refer to the Roy Testimony, page 52, line 16. Confirm that the unapproved rider costs proposed in the 2020-00327 SMRP involving the modifications to be made to the DE transmission line are included in this case, and if so, provide where those costs are included in the 2021-00183 filing.

15. Refer to the Direct Testimony of Judy M. Cooper (Cooper Testimony), page 4, line 16, through page 5, line 3, regarding the modification of the Tax Act Adjustment Factor (TAAF).

a. List each NiSource, Gas Distribution Group Inc. subsidiary that currently utilizes a rider similar to Columbia Kentucky's proposed TAAF.

b. List the jurisdictions in which a NiSource, Gas Distribution Group Inc. (NiSource) subsidiary's application to implement a rider similar to Columbia Kentucky's proposed TAAF was denied, and provide the most recent Order from the state's utility regulatory commission denying the requested rider.

c. List the jurisdictions in which a NiSource subsidiary's application to implement a rider similar to Columbia Kentucky's proposed TAAF was granted and provide the most recent Order from the state's utility regulatory commission granting the requested rider.

16. Refer to the Cooper Testimony, page 5, line 10, through page 6, line 3, regarding the modification of Gas Quality Standards.

a. Explain whether Columbia Kentucky has had issues in the last five years with any impurities from gas it has received from its suppliers. If so, identify those impurity issues.

b. State whether Columbia Kentucky's suppliers have been notified of the revisions to the Gas Quality Standards. If so, explain how they were notified.

17. Refer to the Direct Testimony of Kevin L. Johnson (Johnson Testimony), page 31, lines 4–10. Provide support analysis for the proposed revenue allocation.

18. Refer to the Johnson Testimony, page 32, lines 9–12. Provide support analysis to the decision that the revenue requirement for any of the rate classes would be limited to no more than 1.0 percent above the total company increase of 27.95 percent.

19. Refer to the Johnson Testimony, page 35, Table 4.

a. For the GSO/GTO/GDS rate classes, explain why Columbia Kentucky proposes to increase the customer charge based upon an across the board estimate and not based upon the cost of service study (COSS) estimate, especially since the across the board charge is greater than the COSS estimate.

b. For the IUS rate class, explain why Columbia Kentucky proposes to increase the customer charge based upon an across the board estimate and not keep the customer charge the same since the rate class is already being charged more than its cost to serve.

20. Refer to the Johnson Testimony, page 35, lines 10–13, and page 36, line 1. Provide the analysis supporting the 55 percent recovery through the fixed delivery charges for the GRS/GTR rate schedule for the current and proposed rates.

21. Refer to the Johnson Testimony, Exhibit KLJ-ACOS-3, page 51 of 129. Also refer to Case No. 2016-00162² (2016 Rate Case), Direct Testimony of Chad Notestone, Attachment CEN-3, page 51 of 129. In the 2016 Rate Case, the minimum system mains allocation was 64.825 percent customer and 35.175 percent demand whereas the same allocation percentages have been updated to be 75.386 percent and 24.614 percent. Explain why the customer component increased more than 10 percentage points, or by 16 percent.

22. Refer to the Johnson Testimony, Exhibit KLJ-ACOS-5.

a. Provide the supporting minimum system study used in the factor development.

b. Explain whether the zero-intercept method was analyzed for determining the customer and demand component of the mains.

23. Refer to the Direct Testimony of Melissa Bartos (Bartos Testimony), page 4, lines 12–13.

a. Explain why 20-year average heating degree day (HDD) data is used in the demand forecast.

b. Provide a table comparing the demand forecast by rate class using 10-year average HDD data and 30-year average HDD data.

c. Provide the work sheets supporting the weather normalization adjustment, including the adjustments to usage and customer numbers, or indicate the

² Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Jan. 30, 2017).

location of this information in the record if already provided. The information should be provided in Excel spread sheet format.

24. Refer to the Bartos Testimony, page 11, lines 6–10. Provide support for the assertion that for the indicated months residential use per customers was significantly affected by the shutdowns associated with COVID-19, but for the month of November 2020, it was not.

25. Refer to the Bartos Testimony, page 16.

a. Refer to Table 1. Explain why the number of transportation customers is expected to decrease over years.

b. Refer to Table 2. Explain why the transportation volume of commercial customers is expected to increase from 2023 to 2024 while the number of commercial customers is expected to decrease.

26. Refer to the Application Direct Testimony of Vincent V. Rea (Rea Testimony). Provide all workpapers in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

27. Refer to the Rea Testimony. Provide the most recent Value Line Investment Survey profiles on Columbia/NiSource and each of the companies in the LDC Gas Group and the Combination Utility Group. Consider this as an ongoing request throughout the course of this proceeding and provide updates as they become available.

28. Refer to the Rea Testimony. Provide the most recent ratings reports for Columbia and for NiSource from S&P and Moody's for 2020 to the present. Consider this an ongoing request throughout the course of this proceeding and provide updates as they become available.

29. Refer to the Rea Testimony. Provide the most recent regulatory Commission return on equity (ROE) award for each of NiSource's affiliated gas or combination gas and electric companies. Include in the response the date of the award and the state regulatory commission.

30. Refer to the Rea Testimony pages 11–12. For each of the business risks enumerated, explain specifically how Columbia Kentucky has been affected.

31. Refer to the Rea Testimony page 13. For each of Columbia Kentucky's industrial and transportation customers, explain how close it is to the nearest competing pipeline in order to bypass Columbia Kentucky.

32. Refer to the Rea Testimony, pages 21–22, lines 16 and 1–9, respectively.

a. Explain the rationale for the 60 percent cutoff in criteria (iv) and provide the percentage of operating income to consolidated operating income that is attributable to regulated gas distribution operations for Columbia Kentucky.

b. Explain the 2020 effect of COVID-19 on reduced dividends for criteria (v), and whether this requirement excluded certain companies that otherwise met the criteria in years 2016–2019.

c. Explain whether Columbia Kentucky's parent company, NiSource, meets all the criteria set forth in the "Gas LDC Group."

d. Explain whether seven utility companies comprise a large enough representative sample to derive ROE estimates for Columbia Kentucky.

33. Refer to the Rea Testimony pages 22 and 35. Explain why NiSource is not included in one of these groups.

34. Refer to the Rea Testimony page 25. Explain whether Columbia Kentucky is aware that this Commission has typically rejected size adjustments in recent proceedings.

35. Refer to the Rea Testimony, Table VVR-6, page 61, and Attachment VVR-7. Explain how the unadjusted DCF estimate of 9.70 percent was calculated.

36. Refer to the Rea Testimony, Table VVR-6, page 61; Table VVR-7, page 63; and Table VVR-8, page 65.

a. Explain whether any utility regulatory commission has accepted a market value–book value financial risk adjustment in any regulated NiSource gas or combination gas and electric utility rate case. If so, provide the state, utility, case number, whether the case was fully litigated or settled, and a copy of the order accepting the adjustment.

b. Explain whether Columbia Kentucky is aware that flotation cost adjustments have routinely not been accepted in ROE analyses.

37. Refer to the Rea Testimony, page 70, lines 12–17.

a. Explain why the S&P 500 Index and Value Line 1,700 Stock Universe were selected to represent total market return in the CAPM analysis.

b. Explain whether the S&P 500 has historically yielded higher returns than the “total market.”

38. Refer to the Rea Testimony, pages 70–71 and 92–93. Explain why both the S&P 500 index and the much broader Value Line 1,700 Stock Universe are both used in the DCF Market Return analysis and not simply the latter since it is the broader index. Include in the explanation why it would not be more appropriate to rely the broader index.

39. Refer to the Rea Testimony, pages 72–72, and Attachment VVR-11, page 3 of 8, Footnote (8).

a. A forecast is simply that—a forecast. However, real time bond market rates for 30-year Treasuries necessarily encompass investors’ expectations of the future. Explain further why current 30-year Treasury are not appropriate for use as the risk free rate in the CAPM model calculations.

b. Provide the two interest rate forecasts from Blue Chip Financial Forecasts used to derive the 2.94 percent risk free rate.

40. Refer to the Rea Testimony pages 77–79. Explain whether any utility regulatory commission has accepted a re-levered Beta adjustment in a CAPM ROE model in any regulated NiSource gas or combination gas and electric utility rate case. If so, provide the state, utility, case number, whether the case was fully litigated or settled, and a copy of the Order accepting the adjustment.

41. Refer to the Rea Testimony, page 94, and Attachment VVR-12. Explain whether there is a Value Line utility index comparable to the S&P 500 Utilities Index. If so, provide the analysis using the Value Line index.

42. Refer to the Rea Testimony, Appendix A, page 1, lines 8–12, and to page 6, lines 3–6, discussing model inputs.

a. Explain whether the forward looking projection variables sourced externally have a forecast uncertainty. If so, also explain how forecast uncertainty might influence investor behavior.

b. Explain whether any uncertainty was propagated throughout the models and whether this data can be provided for the ROE point estimates calculated under each of the methods.

43. Refer to the Rea Testimony, Exhibit VVR-6, page 1 of 1.

a. Provide support for the forecasted interest rate of 3.90 percent for September 2021 debt issuance.

b. Provide support for the forecasted interest rate of 4.00 percent for the March 2022 debt issuance.

44. Provide support for the forecasted interest rate of 4.00 percent for the June 2022 debt issuance.

45. Refer to the Direct Testimony of Kimberly K. Cartella, page 29, lines 4–6. Explain why non-exempt, non-union employees contribute a different percentage share to health care costs than exempt employees.

46. Refer to Columbia Kentucky's Response to Commission Staff's First Request for Information (Staff's First Request), Item 52, Attachment A.

a. Provide the information by customer class.

b. Provide a detailed explanation of what is included in the following columns:

- (1) Rent from Gas Property;
- (2) Third Party Billing;
- (3) Customer Billing Service;
- (4) OMO/OFO Demand Penalty;
- (5) Customer Rate Change Fee;

- (6) Other Revenue; and
- (7) Misc. Service Lists.

47. Refer to Columbia Kentucky's response to Staff's First Request, Item 52, in which Columbia Kentucky states that non-recurring charges for forecasted months in 2022 were based on the three-year average of historical actual data from the general ledger for the years 2018, 2019, and 2020. Explain whether any adjustments were made to the forecasts to account for the COVID-19 pandemic. If not, explain why not.

48. Refer to Columbia Kentucky's Response to Staff's First Request, the Excel spreadsheet "KY PSC Case No. 2021-00183, Staff 1-54, CONFIDENTIAL ATTACHMENT A.xlsx" at Tabs "B-6 ADIT & EDIT (Base) NEW" and "B-6 ADIT & EDIT (Forecast) NEW."

a. Describe the book/tax differences that gave rise to the deferred taxes assets and liabilities, if any, recorded in Account 190 under the Rate Base ADIT and Excess ADIT subject line.

b. Describe the book/tax differences that gave rise to the deferred taxes assets and liabilities, if any, recorded in Account 282 under the Rate Base ADIT and Excess ADIT subject line.

c. Explain how Columbia Kentucky projected the change in Account 190 under the Rate Base ADIT and Excess ADIT subject line from \$6,450,992 at the end of August 2021 to \$6,870,189 at the end of December 2021, and explain specifically why the balance in that account decreased through the base period but is projected to increase between the base and the forecasted period.

d. Explain how Columbia Kentucky projected the change in Account 282 under the Rate Base ADIT and Excess ADIT subject line from (\$69,151,930) at the end of August 2021 to (\$70,296,229) at the end of December 2021.

e. Explain why Columbia Kentucky did not project any change to Account 190 or Account 282 under the Rate Base ADIT and Excess ADIT subject line during the forecasted period.

49. Refer to Columbia Kentucky's Response to Staff's First Request, the Excel spreadsheet "KY PSC Case No. 2021-00183, Staff 1-54, CONFIDENTIAL ATTACHMENT A.xlsx" at Tab "WPB2.2 Plant detail."

a. Explain how the amount and timing of retirements from plant in service shown in this tab were projected.

b. Explain how the amount and timing of the "Cost of Removal" shown in this tab were projected.

50. Refer to Columbia Kentucky's current tariff on file with the Commission, P.S.C. Ky. No. 5, Fifth Revised Sheet No. 70.

a. Provide cost support for Columbia Kentucky's \$25 reconnect fee. If the fee includes labor, explain whether the service is performed by Columbia Kentucky employees or contract labor.

b. For a customer who requests discontinuance of service and then requests reconnection five months after requesting discontinuance, explain why such a customer is required to pay eight months, instead of five months, of the minimum charge as a reconnect fee.

51. Refer to Columbia Kentucky's current tariff on file with the Commission, P.S.C. Ky. No. 5, Fourth Revised Sheet No. 74. Provide detailed cost support for Columbia Kentucky's 5 percent late payment penalty.

52. Provide detailed cost support for Columbia Kentucky's \$15 returned payment fee. If the fee includes labor, explain whether the service is performed by Columbia Kentucky employees or contract labor.



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DATED JUL 06 2021

cc: Parties of Record

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