

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 THIRD 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 is due on August 25, 2021. The Commission directs Columbia Kentucky to the Commission's July 22, 2021 Order in Case No. 2020-00085¹ regarding filings with the Commission. 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 preparer or the person supervising the preparation of the response on behalf of the entity

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

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 Direct Testimony of Melissa Bartos (Bartos Testimony), page 16, Table 1 – Forecasted Customer Counts, and Table 2 - Forecasted Annual Volume. The annual average usage per residential customer (residential sales volumes/residential sales customers) increases from 673 Ccf/customer in 2021 to 663 Ccf/ customer in 2022 to 685 Ccf/customer in 2023. Explain why the average annual use per residential customer is increasing annually between 2021 and 2023.

2. Refer to the Direct Testimony of David A. Roy (Roy Testimony), page 12, line 2.

a. Provide the number of Type-1 leaks found on the Columbia Kentucky's first generation plastic pipe system and the number of leaks per mile for the first generation plastic pipe system for the past three years.

b. Provide the number of Type-1 leaks found on the Columbia Kentucky bare steel pipe system and the number of leaks per mile for the bare steel pipe system for the past three years.

3. Refer to the Roy Testimony, pages 46–52, regarding Columbia Kentucky's Safety Modernization and Replacement Program (SMRP).

a. Columbia Kentucky's 2020 Annual Report to PHMSA reported four miles of cast/wrought iron were remaining on the system. Confirm the total miles remaining and provide the location, including miles of pipe for each location.

b. Refer to the Roy Testimony, page 11, line 6, where Mr. Roy states that "Columbia expects cast iron will be completely eliminated from use within its system by the end of 2022." For the locations provided in previous request, provide the planned projects to support this statement.

c. Explain whether Columbia Kentucky would commit to provide the Commission with monthly or quarterly filings of the miles of cast iron replacement projects completed and to include miles of cast iron eliminated and miles of cast iron remaining.

d. Columbia Kentucky's 2020 Annual Report to PHMSA reported 316.2 miles of bare, unprotected steel pipe remaining on the system, and on page 11, line 17, of Mr. Roy's testimony, he states that bare steel is on track to be eliminated by

2037. If Aldyl-A is approved to be included in SMRP, explain what effect this additional pipe removal efforts would have on Columbia Kentucky's timeline to meet the 2037 date for bare steel removal.

e. The projected SMRP costs are \$40.0 million in 2021, \$40.0 million in 2022, and \$41.6 million in 2023. Provide support for this forecasted \$121.6 million projected capital spend.

4. Refer Roy Testimony, page 56, concerning the benefit of modifying Line DE for In-line Inspection (ILI).

a. Provide the number of miles and locations for all high consequence area and medium consequence area segments identified on the Line DE ILI project route.

b. Provide a copy of the technical analysis to show the evaluation of all options considered by Columbia Kentucky to support the use of ILI technology to meet the requirements of 49 C.F.R. 192.937(c) for the Line DE ILI project.

c. Provide a copy of all studies indicating that using ILI in lieu of other assessment methods available to meet the requirements of 49 C.F.R. 192.937(c) is the most cost-effective.

5. Refer to Columbia Kentucky's Response to Staff's First Request, Item 3. In response to Staff asking why Columbia Kentucky did not fully develop detailed engineering plans and specifications for the proposed CPCN, did not defer the CPCN request until more information was available, Columbia Kentucky responded that it did not want to incur significant engineering costs. Refer to the final Order in Case No. 2020-00174,² page 80. Here, the Commission found that the proposed CPCN should be denied

² Case No. 2020-00174, *Electronic Application of Kentucky Power Company for (1) a General Adjustment of Its Rates for Electric Service; (2) Approval of Tariffs and Riders; (3) Approval of Accounting*

because Kentucky Power did not provide adequate support for either the costs of its proposal or the alternative, nor did Kentucky Power provide sufficient evidence that the proposal was the most reasonable least-cost alternative. Provide documentation that will permit review of the proposed project using the Commission's standard of review under KRS 278.020(1), demonstrating the proposed facility is the most reasonable, least-cost alternative, supporting a need for such facilities, and an absence of wasteful duplication.

6. Refer to Columbia Kentucky's response to Staff's First Request, Item 9. Provide the total costs of the Picarro project, if adopted.

7. Refer to Columbia Kentucky's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1.

a. Confirm that it would be more accurate to forecast the in-service date of a specific major capital project for the purpose of determining when plant additions would occur based on the actual projected in-service date for the project as opposed to an in-service curve, and if Columbia Kentucky is not able to confirm, explain each basis why it is not able to confirm.

b. Provide a spreadsheet showing the months in which Columbia Kentucky included projected spending on the major construction projects, or any portion thereof, in plant in service for the purpose of determining the revenue requirement in this matter.

c. Provide the effect on rate base in the forecasted period and the effect on the revenue requirement in the forecasted period of including the major construction

Practices to Establish Regulatory Assets and Liabilities; (4) Approval of a Certificate of Public Convenience and Necessity; and (5) All Other Required Approvals and Relief, (Ky. PSC Jan. 13, 2021).

projects as additions to plant in service on the in-service dates shown for each project at Tab 35 of the Application.

8. Refer to Columbia Kentucky's response to Staff's Second Request, Item 16.
a. Explain Columbia Kentucky's plans for beginning to accept Renewable Natural Gas.

b. Explain the potential advantages and disadvantages of beginning to accept Renewable Natural Gas.

9. Refer to Columbia Kentucky's response to Staff's First Request, Item 18. Provide documentation that supports the statement that typically an increase of 1.5 to 2.0 times the system average increase is considered to be the maximum range and at the same time support the concept of gradualism.

10. Refer to Columbia Kentucky's response to Staff's First Request, Item 22.
a. If completed, provide the zero-intercept study.
b. Recently, the Commission expressed its concern about the demand/customer expenses allocation for distribution plant classifications and the Commission's preference for the zero-intercept method.³ Although this concern has been expressed in electric rate cases, the same concept applies to natural gas in that if the zero-intercept analysis does not provide reasonable results, then this indicates little relationship between the number or cost and the number of customers, and therefore increasing the customer charge based on an arbitrary allocation is unreasonable. Provide

³ See Case No. 2020-00131, *Electronic Application of Meade County Rural Electric Cooperative Corporation for an Adjustment in Rate* (Ky. PSC Sept 16, 2020), Order at 12.

an update to the filed cost of service study where the calculation of the distribution mains where the minimum system was applied is 100 percent demand.

11. Refer to Columbia Kentucky's response to Commission Staff's Second Request, Item 30. The response did not address the question. For each of the business risks enumerated on pages 11–12 of Vincent V. Rea's Direct Testimony (Rea Testimony), explain specifically how Columbia Kentucky has been affected.

12. Refer to Columbia Kentucky's Response to Staff's Second Request, Item 35. Explain the basis for the weights applied to the various growth rates for the DCF calculations.

13. Refer to the Rea Testimony, page 22. Water distribution utilities have many similar operating characteristics to gas distribution utilities. Explain why it is not appropriate to include water utilities in the LDC proxy group or in the alternative, to consider them as a separate group as the company did with the combination utility group.

14. Refer to the Rea Testimony, Appendix B, pages 6–8, and to Attachment VVR-9.

a. Explain whether FERC's determination (proxy group companies with DCF estimates in excess of 17.7 percent and/or growth estimates in excess of 13.3 percent should be excluded from DCF analyses) applies to both historical and projected growth rates.

b. Explain to what extent this method was utilized to screen against high-end outlier DCF estimates.

c. Some of the projected and historical growth rates in attachments VVR-9 exceed the 13.3 limit set forth in FERC's previous high-end outlier methodology

(*ISO New England*), but were not removed for the analysis. Explain why the growth rates in excess of 13.3 were not removed.

15. Refer to Columbia Kentucky's response to Staff's Second Request for Information, Item 50.a.

a. Provide a detailed breakdown of the amount listed as overheads and vehicle charges.

b. Confirm that when including labor, the total cost to disconnect and reconnect one customer is approximately \$112.36 and that Columbia Kentucky is only recovering \$25 of that amount.

16. Refer to Columbia Kentucky's response to Staff's Second Request, Item 50b. Confirm that, should the Commission approve a change to the minimum bill amounts, the seasonal reconnect fee will need to be updated to reflect that revision.

17. Refer to Columbia Kentucky's response to Staff's Second Request, Item 51. The response provided does not answer the request for information. Provide a full response to the previous request of Staff's Second Request, Item 51.

18. Refer to Columbia Kentucky's response to Staff's Second Request, Item 52. The response provided does not answer the request for information. Provide a full response to the previous request of Staff's Second Request, Item 52.

19. Refer to Columbia Kentucky's current tariff on file with the Commission, P.S.C. Ky. No. 5, Original Sheet No. 60, Application for Service.

a. Provide the personal information requested of each new potential customer, explain why each item is needed, and for each one, indicate whether the

information is required in order for the customer to receive service or if it is optional for the customer to provide.

b. If Columbia Kentucky has a standard Application for Service that a potential customer must fill out, provide a copy.

20. Refer to Columbia Kentucky's response to the Attorney General's First Request for Information, Item 110.

a. Explain generally how Columbia Kentucky contends that the group company tax sharing agreement requires net operating loss carryforwards to be assigned to members of the Consolidated Group with reference to the relevant provisions of the agreement.

b. Explain why Columbia Kentucky contends that the treatment of net operating loss carryforwards in the group company tax sharing agreement is reasonable.

c. State whether Columbia Kentucky contends that it is in a net operating loss position for federal tax purposes in the forecasted test period, and explain each basis for Columbia Kentucky's position.

21. Refer to Columbia Kentucky's response to Staff's Second Request, Item 48 in which it indicated that the ADIT balance in Account 190 did not change because it does not forecast the change in the balance for capitalized inventory or customer advances captured in Account 190. Explain whether Columbia Kentucky forecasted any change in its net operating loss position during the forecasted period, and if so, explain where that change is reflected in the revenue model and why it is reflected in that manner.

22. Provide an itemized explanation of the total expected capital cost of the large in-line inspection project for Line DE, including any engineering costs and any costs to obtain necessary rights in real property.

23. Identify each alternative to the large in-line inspection project for Line DE that was explored to address the needs for which Columbia Kentucky is proposing the project. Explain why Columbia Kentucky chose its current proposal over those alternatives, and if no alternatives were explored, explain why they were not.

24. Provide all cost-benefit analyses, if any, performed by or on behalf of Columbia Kentucky to assess the proposed large in-line inspection project for Line DE and potential alternatives.

25. Identify all parties to which Columbia Kentucky sent a request for a bid or a request for proposal to complete the proposed large in-line inspection project for Line DE; provide a copy of any such request for a bid or request for proposal; and provide any responses to such a request for a bid or proposal.

26. Provide, in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible, the average monthly bill impact for each customer class based on current and proposed base rates and not including any riders, roll-in of the SMRP Rider, TAAF, and the gas cost adjustment.

27. Refer to the Application, paragraph 23. Provide a breakdown of the SMRP revenue requirement that is included in the Columbia Kentucky's revenue requirement for the base and forecast period by the type of pipe and any associated costs with each type.

28. Refer to the Application, Tab 36. Provide explanation for how Columbia Kentucky projects its capital expenditure and include any supporting workpapers.

29. Refer to Columbia Kentucky's Response to Staff's First Request for Information, Item 25.

a. Using the data provided in Schedule I1, calculate the annual "Slippage Factor" associated with any construction projects associated with Columbia Kentucky's SMRP.

b. Using the data provided in Schedule I1, calculate the annual "Slippage Factor" associated with any construction projects not associated with Columbia Kentucky's SMRP.

30. Refer to the Direct Testimony of Kimra Cole, page 10. Provide an updated revenue increase and percentage increase with respect to the most recently authorized revenue requirement in Case No. 2016-00162.⁴

31. Refer to the Direct Testimony of Kimberly Cartella.

a. For all levels and types of incentive compensation discussed in the testimony and provided by Columbia Kentucky, provide any studies showing the quantifiable benefits to ratepayers as a result of the various incentive compensations.

b. Refer to Attachments KKC-2, KKC-3, KKC-4.

(1) Confirm that no analyses were performed to directly compare the salaries and total cash compensation of Columbia Kentucky employees, union and non-union, paid by employers specifically in Kentucky.

(2) If confirmed, confirm that a regional comparison to the Southeast and North Central regions are the most granular analyses performed.

⁴ Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 22, 2016).

c. Refer to page 11. Provide explanation and support for the use of a 3.0 percent raise for union employees budgeted to be effective December 1, 2021, and December 1, 2022.

d. Refer to pages 13–22.

(1) For the CIP, provide a breakdown of the all metrics and measures used to determine if the incentive pool is created and funded as well as the amount to which it is funded.

(2) For the CIP, provide all job scope levels as well as the associated target incentive opportunities as a percentage of base pay.

(3) Provide a breakdown by employee type of all CIP expenses included in the base year and forecast test period.

e. Refer to page 18. For the discretionary portion of the CIP, provide a breakdown with explanations as well as attributable percentages for all goal categories for each employee.

f. Refer to pages 20–21.

(1) For the LTI, provide a breakdown of the all metrics and measures used to determine if performance shares are vested.

(2) For the LTI, provide a breakdown of the all metrics and measures used to determine whether restricted stock unites are vested.

(3) Provide a breakdown by employee type of all CIP expenses included in the base year and forecast test period.

g. Refer to page 22.

(1) Provide a detailed description of the method and any metrics used to determine the amount contributed to an employee's Retirement Savings Plan account from the Profit Sharing Plan by Columbia Kentucky.

(2) Provide a breakdown by employee type of all Profit Sharing Plan expenses in the base year and forecast test period.

h. Refer to page 40.

(1) Confirm that there are employees of Columbia Kentucky, NCSC, or NiSource that participate in both a defined benefit pension retirement plan, as well as a defined contribution 401(k) retirement plan.

(2) Confirm that the account balance pension formula used by Columbia Kentucky for qualifying employees is still accruing.

(3) Provide the amount of 401(k) matched contributions by Columbia Kentucky during the base and test period.

(4) Provide the amount of Columbia Kentucky's defined benefit pension expense during the base and test period.

(5) Provide the amount of 401(k)-matched contributions Columbia Kentucky provided during the test period for employees that participate in a defined benefit pension plan.

32. Refer to the Roy Testimony.

a. Refer to pages 36–40, regarding the need for Columbia Kentucky's proposed training facility.

(1) Provide the location of the training facilities in Ohio, Virginia, and Pennsylvania as well as any other locations to which employees from Columbia Kentucky travel for training purposes.

(2) Provide the amount of training expense, including travel, lodging, meals, curriculum, etc., that Columbia Kentucky has incurred in the five calendar years ending December 31, 2020, the base period, and the test year broken down by direct costs incurred by Columbia Kentucky and costs allocated to Columbia Kentucky.

b. Refer to pages 40–41 regarding the costs of Columbia Kentucky's proposed training facility.

(1) Provide a detailed breakdown of the approximate capital and ongoing O&M expense associated with the construction and operation of the proposed training facility. State all assumptions made in the process of projecting the costs.

(2) Confirm whether any additional staff will be necessary specifically to operate the facility and train employees.

(3) Explain how any costs savings as a result of Columbia Kentucky's proposed new facility and curriculum have been reflected in the base period and forecasted test year.

(4) Explain whether the Training Facility in Lexington, Kentucky, can be used by other entities, whether these entities are affiliated companies, and whether any revenues collected from its usage can offset the annual cost of operation.

33. Refer to the Columbia Kentucky's response to Staff's First Request, Item 9.

a. Provide the same information and tables for the base year and the test year.

b. Provide a further breakdown of account 923 by NiSource Service Company activity/department for 2020, the base year, and the test year.

c. Provide a variance analysis for the test year compared to 2020. Describe all identifiable reasons for the variances and quantify each such reason. Provide the variance analysis for account 923 by activity/department.

d. Refer to Item 9.b. Provide a comparative table for calendar years 2015–2020 with the same information provided in Columbia Kentucky’s response to Item 9.b.

34. Refer to page 7 of the Direct Testimony of Kevin L. Johnson (Johnson Testimony). Mr. Johnson explains that the calendar year 2020 was used was used to perform Columbia Kentucky’s lead/lag study because it is in line with the forecasted test year ending December 31, 2022.

a. Provide a detailed definition of the term “in line with,” and explain how calendar year 2020 is in line with Columbia Kentucky’s forecasted test year.

b. Given the impact that COVID-19 restrictions had on Columbia Kentucky’s financial operations in 2020, explain why 2020 represents a normal year to base Columbia Kentucky’s lead/lag study.

c. Describe the process Columbia Kentucky used to decide which calendar year its lead/lag study would be based on.

d. Provide a revised lead/lag study using calendar year 2019 information in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

35. Refer to page 19 of the Johnson Testimony. The results of Columbia Kentucky's lead/lag study results in a cash working capital allowance of (\$6,942,997). Given that Columbia Kentucky's lag days for its receivables is grossly lower than the lead days of its payables, explain why Columbia Kentucky's shareholders are entitled to earn a return on capital that is not supported by their invest.

36. Refer to page 4 of the Johnson Testimony. Mr. Johnson explains that lead/lag methodology used to Columbia Kentucky's cash working capital is consistent with the methodology used by Columbia Gas of Virginia (Columbia Virginia), a NiSource affiliate.

a. Identify each NiSource affiliate that uses a lead/lag study to calculate its cash working capital requirements.

b. Provide a copy of each affiliate's most recent lead/lag study.

c. Explain why Columbia Kentucky used the lead/lag methodology of Columbia Virginia rather than a lead/lag methodology that has been accepted by this Commission.

37. Refer to Columbia Kentucky's responses to the First Request for Information of the Attorney General, Item 30.d. Cite any instance where a lead/lag study that was presented by a utility to the Commission resulted in a negative cash working capital.

38. Provide a comparison by asset category of the depreciation lives approved by the Commission in Case No. 2016-00162⁵ to the depreciation lives proposed in the

⁵ Case No. 2016-00162, *Application of Columbia Gas of Kentucky, Inc. for an Increase in Base Rates* (Ky. PSC Dec. 22, 2016).

Depreciation Study presented by Jon J. Spanos. Provide the depreciation life comparison in an Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

39. Provide a comparison by asset category of the net salvage values approved by the Commission in Case No. 2016-00162 to the net salvage values proposed in the Depreciation Study presented by Jon J. Spanos. Provide the net salvage value comparison in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

40. Using the depreciation lives and net salvage values in the Depreciation Study presented by Jon J. Spanos, Columbia Kentucky calculated a forecasted depreciation expense is \$19,609,323. Provide an Excel spreadsheet with all formulas, columns, and rows unprotected and fully accessible showing the forecasted depreciation expense if the net salvage values are eliminated.



Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED AUG 10 2021

cc: Parties of Record

*L Allyson Honaker
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Joesph Clark
NiSource
290 W. Nationwide Blvd
Columbus, OHIO 43215

*Angela M Goad
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Kurt J Boehm
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*David S Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Larry Cook
Assistant Attorney General
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Jody M Kyler Cohn
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*Mark David Goss
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Judy M Cooper
Director, Regulatory Services
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*J. Michael West
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*John G Horne, II
Office of the Attorney General Office of Rate
700 Capitol Avenue
Suite 20
Frankfort, KENTUCKY 40601-8204

*Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

*John R. Ryan
Columbia Gas of Kentucky, Inc.
2001 Mercer Road
P. O. Box 14241
Lexington, KY 40512-4241

*Columbia Gas of Kentucky, Inc.
290 W Nationwide Blvd
Columbus, OH 43215