

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF COLUMBIA GAS)	
OF KENTUCKY, INC. TO CONTINUE ITS GAS)	CASE NO.
COST INCENTIVE ADJUSTMENT)	2024-00012
PERFORMANCE BASED RATE MAKING)	
MECHANISM)	

ORDER

On January 31, 2024, Columbia Gas of Kentucky, Inc. (Columbia Kentucky) tendered an application to renew and modify its gas cost adjustment (GCA) performance-based ratemaking (PBR) mechanism. The application sought to change the benchmark calculation associated with the Transportation Cost Incentive (TCI), proposing to update it coincident with the expiration of a contract between Columbia Kentucky and Tennessee Gas Pipeline (TGP) due to the resulting loss of contract discount. Columbia Kentucky's application also requested that if the Commission's processing of the case were to extend past the PBR expiration date of March 31, 2024, that the Commission issue an interim order renewing the PBR mechanism without changes. By Order issued March 1, 2024, the Commission rejected the filing of the application on the basis that it sought to amend the PBR mechanism without giving notice to customers are required by 807 KAR 5:011, Section 8.

On March 8, 2024, Columbia Kentucky filed a motion to amend its application to remove the changes and asked only for renewal of the PBR mechanism for three years, instead of renewal for five years, with changes to take effect upon expiration of the

contract with TGP. Columbia Kentucky also concurrently filed a motion to deviate from the KRS 278.180(1) requirement that thirty days' notice be given to the Commission before the effective date of the renewed PBR mechanism, and the customer notice requirements contained in 807 KAR 5:011, Section 8.

The Commission may, based upon a showing of good cause, shorten the notice period for filing with the Commission to no less than 20 days under KRS 278.180(1). Columbia Kentucky argued that the Commission was aware of the rejected application when it was filed on January 31, 2024, giving the Commission 60 days' notice of the renewal request before the intended March 31, 2024 effective date.¹

Deviations from the customer notice requirements under 807 KAR 5:011, Section 8, are permitted for good cause shown pursuant to 807 KAR 5:011, Section 15. Columbia Kentucky argued that it does not believe that customer notice is required for a mere renewal of the PBR mechanism since the rate calculation would not be changing but seeks a deviation on the basis that the rate calculation will not change the mechanism serves to lower gas costs for customers, and notice without an actual change in the rate calculation could confuse customers.²

Having considered the motions, the Commission finds that Columbia Kentucky's motion to amend its January 31, 2024 PBR filing and motion to deviate from the requirements of KRS 278.180(1) and 807 KAR 5:011, Section 8, should be granted. An amendment to the PBR filing and interim order renewing the mechanism, allowing renewal without changes, would maintain the benefits of the mechanism for customers

¹ Columbia Kentucky's Motion for Deviation (filed Mar. 8, 2024) at 2.

² Columbia Kentucky's Motion for Deviation at 2-3.

until the previously proposed changes can be examined and proper notice can be given to customers.

For these same reasons, the Commission notice period should be shortened to 20 days, and customer notice will not be required. The Commission notes that, in the future, PBR mechanism renewals will require customer notice pursuant to 807 KAR 5:011, Section 8, because the expiration of the term of a rate calculation ends that rate and a renewal of that rate calculation is a new “charge” being “initiated” under 807 KAR 5:011, Section 8, regardless of whether the calculation is the same. Due to the variable nature of the natural gas market and its relation to set PBR benchmarks, the Commission and customers should receive adequate notice in order to have the opportunity to review the appropriateness of re-establishing the calculated rate.

IT IS THEREFORE ORDERED that:

1. Columbia Kentucky’s motion to amend its January 31, 2024 PBR mechanism filing to exclude changes is granted.
2. Columbia Kentucky’s amended PBR mechanism renewal filing is deemed filed as of the date it was tendered, March 8, 2024.
3. Columbia Kentucky’s existing PBR rate calculation, set to expire on March 31, 2024, is extended until October 31, 2024, or until Commission enters an order amending the rate, whichever occurs first.
4. Columbia Kentucky’s motion to deviate from the 30 days’ notice requirement in KRS 278.180(1) is granted. The Commission orders that the notice period is shortened to the minimum requirement of not less than 20 days’ notice upon issuance of this Order.


5. Columbia Kentucky's motion to deviate from customer notice requirements in 807 KAR 5:011, Section 8, is granted. Columbia Kentucky shall be required to provide customer notice under this Section for all future PBR filings, including any further amendments to its application in the present case.

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PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner



ATTEST:


Executive Director

*L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Brittany H. Koenig
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

*Heather Temple
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 6202
Lexington, KENTUCKY 40509

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

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

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

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