

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

October 22, 2012

Re: Case No. 2008-00408

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PUBLIC SERVICE  
COMMISSION

Dear Mr. Derouen:

Pursuant to the Commission's Order of July 24, 2012 in Case No. 2008-00408, Columbia Gas of Kentucky, Inc. hereby submits the information required therein. Enclosed are an original and ten (10) copies of Columbia's pertinent policies and procedures to ensure that cost-effective energy efficiency is given the same priority as all other cost-effective resources.

If you have any questions, please contact me at [jmcoop@nisource.com](mailto:jmcoop@nisource.com) or (859) 288-0242. Thank you.

Sincerely,

  
Judy M. Cooper

Enclosures

## **Overview**

The policy of Columbia Gas of Kentucky, Inc., (CKY) is to ensure that energy efficiency is considered as a cost-effective resource for its customers. CKY promotes energy efficiency through the operations of its “WarmWise” program, which is a tariffed Demand-Side Management program authorized pursuant to KRS 278.285 and approved in Case No. 2009-00141. Energy efficiency is a resource used in CKY’s load forecasting. In addition, CKY seeks to achieve a rate design that aligns the financial interests of the utility and the customer by removing the volumetric dependency of base rates to recover fixed costs via fixed charges and therefore help to promote energy efficiency.

## **Demand-Side Management Program**

CKY’s Demand-Side Management Program, its “WarmWise” program aligns its interest with that of its residential customers by providing education and opportunities for customers and a mechanism to recover the lost base revenue associated with customer conservation and efficiency, along with an incentive and recovery of costs associated with the program. Conservation and efficiency is promoted through customer communication, education and three specific offerings to residential customers, which are: high efficiency appliance rebates, home energy audits, and low-income furnace replacements.

## **Load Forecasting**

Customer consumption data and trend analysis is utilized in CKY’s supply planning and procurement activities to develop its load forecasts thus capturing energy efficiency in its determination of future requirements.

## **Rate Design**

CKY seeks to promote customer conservation through its rate design proposals in general rate cases. CKY’s current rate design is a combination of fixed and variable charges for base rates. The company’s financial well-being is affected by the amount of customer usage because of the variable component of its base rates. It is positively affected by greater customer usage and negatively affected by less customer usage. In CKY’s last two rate cases, recovery of the allowed increases were placed entirely in the fixed charge component of its base rates. However, a part of CKY’s fixed costs are still dependent upon a variable rate for recovery. CKY will continue to pursue a rate design that removes this volumetric dependency and allows the company and customer interests to become more aligned in base rates. The rate charged for the gas commodity cost is, and should remain, a volumetric charge affording customers control of their bills based upon consumption.