

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT)
FILING OF COLUMBIA GAS OF) CASE NO. 2011-00033
KENTUCKY, INC.)

O R D E R

On October 26, 2009, in Case No. 2009-00141,¹ the Commission approved rates for Columbia Gas of Kentucky, Inc. ("Columbia") and provided for their further adjustment in accordance with Columbia's Gas Cost Adjustment ("GCA") clause.

On January 28, 2011, Columbia filed its proposed GCA to be effective March 1, 2011.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Columbia's notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Columbia's Expected Gas Cost ("EGC") is \$7.2179 per Mcf, a decrease of \$.0029 per Mcf from its last EGC of \$7.2208 per Mcf.
3. Columbia's notice sets out a rate for Banking and Balancing Service of \$.0207 per Mcf.

¹ Case No. 2009-00141, Application of Columbia Gas of Kentucky, Inc. for an Adjustment in Rates (Ky. PSC Oct. 26, 2009).

4. Columbia's notice sets out a current quarter supplier Refund Adjustment ("RA") of (\$.0020) per Mcf. Columbia's notice sets out a total RA of (\$.0058) per Mcf, which represents an increase of \$.0042 per Mcf from the prior RA of (\$.0100) per Mcf.

5. Columbia's notice sets out its previously approved annual Actual Cost Adjustment of (\$.2466) per Mcf.

6. Columbia's notice sets out a proposed Balancing Adjustment ("BA") of (\$1.1047) per Mcf. Columbia requests to calculate its BA by dividing \$10 million of over-recoveries remaining from previous adjustments by 12 months' sales volumes instead of six months' sales volumes in order to more appropriately distribute the adjustment to customers. Columbia's proposed method encompasses the higher volumes of space heating winter months, which its usual method of using the six months' sales volumes of March through August would not. Using six months' sales volumes to calculate the BA, which is Columbia's practice, would produce a BA of (\$3.8471) per Mcf. The Commission finds that a BA of this amount returned to customers over primarily non-space-heating months, would unfairly disadvantage space-heating customers. Columbia's proposed method of dividing the over-recovery by 12 months' sales volumes is reasonable, especially in light of the fact that Columbia's GCA tariff does not prescribe a calculation method for the BA. Columbia's proposed BA of (\$1.1047) is a decrease of \$1.1346 from the previous BA of \$.0299 per Mcf.

7. Columbia's notice sets out a Special Agency Service refund adjustment of (\$.0002) per Mcf, which represents no change from the previous rate.

8. Columbia's notice sets out a Gas Cost Incentive Adjustment of \$.0207 per Mcf, which is an increase of \$.0165 per Mcf from the previous rate of \$.0042 per Mcf.

9. Columbia's approved Gas Cost Recovery rate ("GCR") is \$5.8813 per Mcf, which is a decrease of \$1.1168 per Mcf from the previous GCR of \$6.9981 per Mcf.

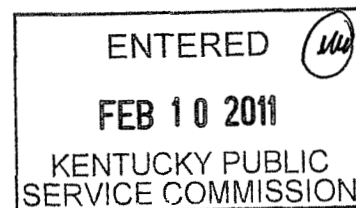
10. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for the March 2011 billing cycle, beginning on March 1, 2011.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix to this Order are approved for billing with the final meter readings beginning on March 1, 2011.

2. Within 20 days of the date of this Order, Columbia shall file with this Commission its revised tariffs setting out the rates authorized herein and reflecting that they were approved pursuant to this Order.

By the Commission



ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2011-00033 DATED FEB 10 2011

The following rates and charges are prescribed for the customers in the area served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Gas Cost Recovery Rate

The total Gas Cost Recovery Rate shall be \$5.8813 per Mcf effective March 1, 2011.

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