

G.S. KNOX GAS COMPANY
P.O. BOX 335
GRAY, KY 40734
(606) 528-2779

RECEIVED

DEC 15 2006

PUBLIC SERVICE
COMMISSION

December 14, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

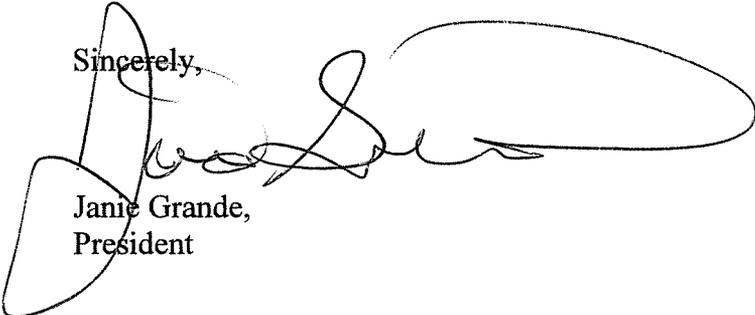
RE: Case No. 2006-00460

Dear Ms. O'Donnell:

Enclosed are the original and five copies of G.S. Knox Gas response to the initial data request of the commission and a copy of the initial rate increase filed October 24, 2006.

If you need any further information, please feel free to contact our office at anytime.
Thank you in advance for your time.

Sincerely,


Janie Grande,
President

G.S. KNOX GAS COMPANY
Case No. 2006-00460

INITIAL DATA RESPONSE OF COMMISSION STAFF

1. Provide the number of gas wells involved in serving the 29 farm tap customers.

RESPONSE:

5 wells, all located in Knox County.

RESPONDENT:

Angela Petrey

2. Refer to Schedule 1, Well Operator Cost. Explain the basis for the calculation of the base pay and the numbers of hours for meter reading, call-outs and maintenance and overtime.

RESPONSE:

Gross hourly rate is the hourly rate in which our field operator is paid.

Meter reading time is based on average time it takes to calculate the gas used. At 15 minutes per customer, multiplied by number of customers (29), multiplied by number of months in a calendar year (12) divided by number of minutes in an hour (60) divided by number of customers (29), with the ending value being hours per year per customer.

EX: $(15 \times 29) \times 12 = 5220$ total minutes per year.
 $(5220 / 60) / 29 = 3$ hours per year per customer.

Callouts, and maintenance are calculated using the same formula as above and include; random meter readings, servicing and replacing equipment, connects and disconnects, as well as any other item that needs attention.

RESPONDENT:

Angela Petrey

3. Refer to Schedule 2, Administrative Personnel Cost. Explain the basis for the calculation of the base pay and the estimates of the number of hours preparing and reviewing invoices, processing cash receipts, and collections and customer questions.

RESPONSE:

Gross hourly rate is the hourly rate in which our administrative staff paid.

The total time listed (19 hours) is the amount of time our staff uses in one month for all customers to maintain accurate gas accounting.

RESPONDENT:

Angela Petrey

4. Refer to the first page of the application. G.S. Knox has developed its gas cost based on the NYMEX strip and a 2-year average of the Appalachian Differential. Provide a list of other indices that would be applicable for pricing the gas.

RESPONSE:

Appalachian Index - Dominion Transmission

RESPONDENT:

Angela Petrey

5. Provide the total volumes sold by G.S. Knox Gas during the most recent 24-month period.

RESPONSE:

Please see attachment A—G.S. Knox Gas Volumes.

RESPONDENT:

Angela Petrey

6. Provide the volumes sold to farm tap customers during the same period in 5.

RESPONSE:

Please see attachment A—G.S. Knox Gas Volumes.

RESPONDENT:

Angela Petrey

7. Provide the revenue, per Mcf, derived from non-farm tap customers for the most recent 24 months.

RESPONSE:

Please see attachment B—G.S. Knox Gas Revenue.

RESPONDENT:

Angela Petrey

8. The Btu conversion rate used in G.S. Knox's application is 1,230. Provide the basis for this conversion rate as well as a gas analysis for the wells serving G.S. Knox's farm tap customers.

RESPONSE:

G.S. Knox Gas is not furnished a gas analysis. However, the Btu adjustment is calculated on the volume summary statement. Please see attachment C—Volume Summary.

RESPONDENT:

Angela Petrey

9. Provide any documentation used to arrive at the Btu conversion rate.

RESPONSE:

Please see attachment C—Volume Summary.

RESPONDENT:

Angela Petrey

G.S. Knox Gas Company
Case No. 2006-00460

ATTACHMENT A--G.S. KNOX GAS VOLUMES

VOLUMES (MCF):	Jan 05-Dec 06
Farm Tap Customers:	3,222
Third Party Sales:	18,324
Total MCF Sold	21,546

G.S. Knox Gas Company
Case No. 2006-00460

ATTACHMENT B--G.S. KNOX GAS REVENUE

REVENUE	Jan 05-Dec 06
Farm Tap Customers:	\$ 19,332.00
Third Party Sales:	\$ 166,564.92
Total Revenue:	\$ 185,896.92

5012 West Washington Street
 Charleston, WV 25313-1527

rev. 20060719

Statement of Gas Volumes

Prepared By

R. L. LAUGHLIN & COMPANY, INC.

Phone:

Fax:

Web:

(304) www.rln.com
 20061112

Account # 29600
 Name COLUMBIA NATURAL RESOURCES

Location GS KNOX GAS COMPANY

Accounting Period 200610
 Meter ID 930373

"TEMP 0-150F"

Differential Range 100
 Static Pressure Range 100
 Temperature Range 150
 Pressure Base 14.73
 Temperature Base 60
 Atmospheric Pressure 14.40
 Mole%-CO2 0.000
 Mole%-N2 0.000
 Mole%-CH4 0.000
 Last Analysis 01/01/2002
 Last Meter Test
 Master Station 930373

Serial Number	Make	Rotation	Days or Hours	Avg. HW	Avg. PSIG	Avg. Temp. °F	Specific Gravity	Displacement Index On	Displacement Index Off	Integrator or Meter Reading	Factor	Volume Change MCF	Measured Volume MMBTU	Comments		
2E032275		31		33.2	8.0	72.0	0.7000	0	0	802	0.8383	672	1200.000	806		
TOTALS													672	806		
1 READINGS													Total of original MCF:	672	Production Period	200610

Attachment -- C
 Volume Summary

G.S. KNOX GAS COMPANY
P.O. BOX 335
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(606) 528-2779

October 24, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

RE: Rate Increase Request

Dear Ms. O'Donnell:

Due to the increase in the cost of natural gas, our company must increase our farm tap gas rates. We currently have 29 customers throughout Knox County that consume an average of 5.02 Mcf per month per customer (60.24 Mcf/customer/year).

The calculated gas price is \$13.13 per Mcf. We have listed the different components of the rate below. Please note that there is no profit built into this rate.

Gas Price Calculation:

12 month NYMEX Strip (as of 10/24/06):	\$7.80/Dth
Appalachian Differential (2 Yr Average):	<u>\$0.34/Dth</u>
	\$8.14/Dth
BTU Conversion based on Btu/cf:	<u>x 1.230</u>
	\$10.01/Mcf
Well Operator: (see schedule 1):	\$2.24/Mcf
Administrative Personnel (see schedule 2):	\$0.14/Mcf
Mileage (see schedule 3):	\$0.61/Mcf
Postage & Office Supplies (see schedule 4):	<u>\$0.13/Mcf</u>
	\$3.12/Mcf
TOTAL:	\$13.13/Mcf

G.S. Knox Gas Company would like to amend the rates and charges section of the original tariff filed to read as follows:

Monthly Rates:

Minimum Bill (1 Mcf):	\$13.13
All Additional Mcf:	\$13.13

The notice to customers required by 807 KAR 5.026.9(d) was mailed on this same day. If you have any questions, or need any further information, please do not hesitate to contact me. Thank you in advance for your time.

Sincerely,

Janie Grande,
President

G.S. KNOX GAS COMPANY
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October 27, 2006

NOTICE OF PROPOSED RATE CHANGE
Farm Tap Customers of G.S. Knox Gas Company

G.S. Knox Gas Company has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by G.S. Knox Gas Company. The Public Service Commission may order rates to be charged that differ from the rates in this notice.

Any corporation, association, body politic, or person may file written comments or a written request for intervention within thirty (30) days of the date of this notice with the Public Service Commission, P.O. Box 615, Frankfort, KY 40602.

Copies of the request for an increase in rates may be obtained by contacting G.S. Knox at the address listed above.

Present Rate:	\$6.00 Mcf
Proposed Rate:	\$13.13 Mcf

**G.S. KNOX GAS COMPANY
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SCHEDULE 1--Well Operator Cost

Gross Hourly Rate: \$ 15.00

CALCULATION:

Meter Reading- 15 min per customer:	3.00 hours per year/customer
Call-outs, Maintenance, etc:	3.00 hours per year/customer
Overtime (2 hours @ 150%):	<u>3.00</u> hours per year/customer

Total hours including overtime: 9.00 hours per year/customer

LABOR COST PER MCF:

9.00 hrs. X \$15.00 per hr:	\$ 135.00
Usage (12 mth average):	60.24

Per Mcf: \$ 2.24

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SCHEDULE 2--Administrative Personnel Cost

Gross Hourly Rate: \$ 13.00

CALCULATION:

Preparing and reviewing invoices:	8.00	hours per month
Processing cash receipts:	8.00	hours per month
Collections and customer questions:	<u>3.00</u>	hours per month

Total hours: 19.00 hours per month

PERSONENEL COST PER MCF:

19.00 hrs X \$13.00 per hr:	\$ 247.00
Average monthly per customer:	\$ 8.52
Usage (12 mth average):	60.24

Per Mcf: \$ 0.14

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SCHEDULE 4--Postage & Office Supplies

CALCULATION:

\$0.39 per customer postage: \$ 11.31 per month

\$0.25 per customer other supplies: \$ 7.25 per month

Total : \$ 18.56 per month

Total Mcf Usage: 145.53 per month

Per Mcf: \$ 0.13

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SCHEDULE 3--Mileage

CALCULATION:

Meter reading, call-outs, and misc. 200.00 miles per month

200 Miles X \$0.445 per mile (IRS allowable): \$ 89.00 per month

Total average monthly usage: 145.58 Mcf

Per Mcf: \$ 0.61