



**K. PETROLEUM INC.**

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Columbus, Ohio 43229  
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Mrs. Beth O'Donnell  
January 17, 2005  
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January 17, 2005

JAN 28 2005

Mrs. Beth O'Donnell  
Kentucky Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

PUBLIC SERVICE  
COMMISSION

**RE: CASE NO. 2004-00436**  
**The application and tariff request of K. Petroleum, Inc. to increase its rates and charges for providing farm tap service pursuant to KRS 278.485**

Dear Mrs. O'Donnell:

Please find attached responses to the data requested in the above case:

**Item 1**

KPI's gas is not produced in conjunction with the production of petroleum, since it is produced as "dry gas".

**Item 2**

The latest analysis from the inlet of the main compressor is attached as exhibit "A".

**Item 3**

The 12-month NYMEX strip price can be retrieved from NYMEX directly. Their website is [http://www.nymex.com/jsp/markets/ng\\_fut\\_csf.jsp](http://www.nymex.com/jsp/markets/ng_fut_csf.jsp). A printout using the current data has been attached as exhibit "B". The 12-month average on 01/17/2005 is \$6.51/dth. The average on 10/27/2004 was \$7.12/dth. Prices fluctuate on a daily basis.

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Using even the data on 01/17/2005, the Gas Price calculation is as follows:

Gas Price Calculation

<u>Description</u>	<u>Amount</u>
12 month NYMEX Strip	\$6.51/dth
Contract Differential	+ .15/dth
	\$6.66/dth
Price To Be Received by K. Petroleum based on 1250 btu/cf	<u>x1.25</u> \$8.33/mcf
Well Operator <sup>1</sup>	\$1.88/mcf
Administrative Personnel <sup>2</sup>	.95
Methanol and Supplies <sup>3</sup>	.37
Mileage <sup>4</sup>	<u>.16</u>
<b>TOTAL</b>	<b>\$11.69/mcf</b>

which is within 2.5% of the price submitted on 10/27/2004 for \$12.00/mcf.

**Item 4**

KPI currently serves 45 customers. Our average number of customers in previous years has been:

2002: 41  
2003: 44  
2004: 42

**Item 5**

Total MCF production has been:

2002: 670,450 MCF  
2003: 702,866 MCF  
2004: 707,130 MCF

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**Item 6**

Our current employees are as follows:

Field Supervisor:	1
Well tender:	3
Well tenders (part time):	2
Service Rig Operator:	1
Geologist:	1
Geophysicist:	1
Administrative:	1
-----	
Total:	10

**Item 7**

Exhibit "C" shows the average 12-month MYMEX strip for 2003 and 2004. Assuming the calculation used in Item 3 and on the application submitted on 10/27/2004 the cost of gas calculates to be \$11.22 for 2004 and \$10.28 for 2003.

Our approved current rate with the Public Service Commission is \$6.00/mcf, which means we have been selling the gas at a loss of \$5.22/mcf for 2004 and \$4.28/mcf for 2003.

We have been selling the gas to residential consumers at about half the price we pay to purchase it taking a tremendous loss over the past few years. Our increase from \$6.00/mcf to \$12.00/mcf, that we are requesting, would justify the cost increase we have incurred over the past two years, as proved by the above data, not accounting for the losses as well.

**Item 8**

Well Operator Cost, Administrative Personnel Cost, Methanol and Supplies, and Mileage are included both in the Gas Price Calculations and the Minimum Monthly Charge, since these are expenses that we incur even if no gas was sold in a particular month. Per the application of 10/27/04 in the footnotes we would incur a charge of \$23.75/customer/month. According to PSC regulations we would charge only \$10.00/month, which accounts for about 42% of the actual cost.

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**Item 9**

All of our employees are paid based on annual salary. Therefore we do not have a daily breakdown of all their activities. That is why we used the minimum amount of time for travel to each residential customer to read their meter. Our calculations were based on 20 minutes per month. Considering we have 45 residential customers, and 3 employees that do meter readings that would account for 5 hours/month of their time for this duty. The meters and customers are in rural areas, very difficult to get to in the winter and on high elevations. Therefore 20 minutes is a very small time frame, but we considered this would be acceptable for the purpose of our calculations.

**Item 10**

To measure the natural gas usage accurately metering equipment must be installed on the property. This is normal practice for all local gas distribution companies. The tap fee with the costs of the installed meter excluded calculates to be \$10.00 for administrative time.

We respectfully request your approval of our application and associated rates.

Sincerely,

K. Petroleum, Inc.



Jam Khorrami  
President

Attachments: Exhibits A, B, C

EXHIBIT "A"



Delta Natural Gas Company, Inc.  
Sample Analysis Form

<b>Operator</b>	<b>Methane</b>
K-Petroleum	73.53
<b>Station #</b>	<b>Ethane</b>
521	12.17
<b>Pressure</b>	<b>Propane</b>
643 PSIG	5.22
<b>Atmospheric Temp</b>	<b>I-Butane</b>
65 F	0.42
<b>Sample Date</b>	<b>N-Butane</b>
1/12/2005	1.37
<b>Analysis Date</b>	<b>I-Pentane</b>
1/14/2005	0.22
<b>Sample Time</b>	<b>N-Pentane</b>
11:00 AM	0.27
<b>Analyzed By</b>	<b>Hexanes</b>
PBS	0.22
<b>Sampled By</b>	<b>Nitrogen</b>
RCC	6.43
<b>Comments</b>	<b>Carbon Dioxide</b>
*High Nitrogen	0.15
	<b>Wet BTU</b>
	1166
	<b>Wet Specific Gravity</b>
	0.733
	<b>Dry BTU</b>
	1185
	<b>Dry Specific Gravity</b>
	0.735



DELTA NATURAL GAS COMPANY, INC.

GAS QUALITY TEST

Location Sacker Station No. 521  
 Supplier K-Petroleum Pressure 600 PSIG  
 Date 10-27-04 Time 2:15  AM  PM  
 Temperature \_\_\_\_\_ Degrees Fahrenheit Dew Point 7.3  
 Specific Gravity \_\_\_\_\_  
 Comments 52" diff H2S - TRACE

Delta Employee: RLC Delta Employee Number: 550  
 Witnessed By: \_\_\_\_\_ Employed By: \_\_\_\_\_



DELTA NATURAL GAS COMPANY, INC.

GAS QUALITY TEST

Location Sacker Br Station No. 521  
 Supplier K-Petroleum Pressure 630 PSIG  
 Date 9-22-04 Time 11:35  AM  PM  
 Temperature 69° Degrees Fahrenheit Dew Point \_\_\_\_\_  
 Specific Gravity \_\_\_\_\_  
 Comments H2S was 0ppm

Delta Employee: James Bargo Delta Employee Number: 4130  
 Witnessed By: \_\_\_\_\_ Employed By: \_\_\_\_\_



**DELTA NATURAL GAS COMPANY, INC.**  
**GAS QUALITY TEST**

Location BURNING SPRING Station No. 521  
 Supplier K-PETRO Pressure \_\_\_\_\_ PSIG  
 Date 1-5-05 Time 2:20  AM  PM  
 Temperature \_\_\_\_\_ Degrees Fahrenheit Dew Point \_\_\_\_\_  
 Specific Gravity \_\_\_\_\_  
 Comments 0 part H<sub>2</sub>S

Delta Employee: D. GUYATT Delta Employee Number: 016  
 Witnessed By: \_\_\_\_\_ Employed By: \_\_\_\_\_



**DELTA NATURAL GAS COMPANY, INC.**  
**GAS QUALITY TEST**

Location SACKER BRANCH Station No. 521  
 Supplier K-PETRO Pressure 530 PSIG  
 Date 11-24-04 Time 1:35  AM  PM  
 Temperature 60 Degrees Fahrenheit Dew Point \_\_\_\_\_  
 Specific Gravity \_\_\_\_\_  
 Comments H<sub>2</sub>S WAS 0PPM

DEC 2 2004

Delta Employee: JAMES BORG Delta Employee Number: 18130  
 Witnessed By: \_\_\_\_\_ Employed By: \_\_\_\_\_

EXHIBIT "B"

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Natural Gas

Futures Options **e-mNY Futures** NYMEX ClearPort™

Market Data

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- Historical Data
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1/17/05 Session Expanded Table

	Last	Open High	Open Low	High	Low	Most Recent Settle	Change	Open Interest	Estimated Volume
<b>February 2005</b>	6.395	0.000	0.000	0.000	0.000	6.395	0.000	46822	0
<b>March 2005</b>	6.432	0.000	0.000	0.000	0.000	6.432	0.000	61846	0
<b>April 2005</b>	6.292	0.000	0.000	0.000	0.000	6.292	0.000	29799	0
<b>May 2005</b>	6.284	0.000	0.000	0.000	0.000	6.284	0.000	21171	0
<b>June 2005</b>	6.316	0.000	0.000	0.000	0.000	6.316	0.000	14192	0
<b>July 2005</b>	6.349	0.000	0.000	0.000	0.000	6.349	0.000	18329	0
<b>August 2005</b>	6.369	0.000	0.000	0.000	0.000	6.369	0.000	13442	0
<b>September 2005</b>	6.334	0.000	0.000	0.000	0.000	6.334	0.000	14558	0
<b>October 2005</b>	6.354	0.000	0.000	0.000	0.000	6.354	0.000	27444	0
<b>November 2005</b>	6.692	0.000	0.000	0.000	0.000	6.692	0.000	12055	0
<b>December 2005</b>	7.019	0.000	0.000	0.000	0.000	7.019	0.000	19255	0
<b>January 2006</b>	7.249	0.000	0.000	0.000	0.000	7.249	0.000	16901	0
<b>February 2006</b>	7.224	0.000	0.000	0.000	0.000	7.224	0.000	10157	0
<b>March 2006</b>	7.029	0.000	0.000	0.000	0.000	7.029	0.000	11918	0
<b>April 2006</b>	6.049	0.000	0.000	0.000	0.000	6.049	0.000	11035	0
<b>May 2006</b>	5.914	0.000	0.000	0.000	0.000	5.914	0.000	8692	0
<b>June 2006</b>	5.924	0.000	0.000	0.000	0.000	5.924	0.000	3425	0
<b>July 2006</b>	5.944	0.000	0.000	0.000	0.000	5.944	0.000	4715	0
<b>August 2006</b>	5.964	0.000	0.000	0.000	0.000	5.964	0.000	3825	0
<b>September 2006</b>	5.959	0.000	0.000	0.000	0.000	5.959	0.000	2866	0
<b>October 2006</b>	5.989	0.000	0.000	0.000	0.000	5.989	0.000	4875	0
<b>November 2006</b>	6.299	0.000	0.000	0.000	0.000	6.299	0.000	2416	0
<b>December 2006</b>	6.574	0.000	0.000	0.000	0.000	6.574	0.000	4322	0
<b>January 2007</b>	6.779	0.000	0.000	0.000	0.000	6.779	0.000	5113	0
<b>February 2007</b>	6.759	0.000	0.000	0.000	0.000	6.759	0.000	1875	0
<b>March 2007</b>	6.564	0.000	0.000	0.000	0.000	6.564	0.000	3891	0
<b>April 2007</b>	5.674	0.000	0.000	0.000	0.000	5.674	0.000	3499	0
<b>May 2007</b>	5.534	0.000	0.000	0.000	0.000	5.534	0.000	3970	0
<b>June 2007</b>	5.556	0.000	0.000	0.000	0.000	5.556	0.000	774	0
<b>July 2007</b>	5.579	0.000	0.000	0.000	0.000	5.579	0.000	955	0
<b>August 2007</b>	5.594	0.000	0.000	0.000	0.000	5.594	0.000	874	0



EXHIBIT "B"

<b>September 2007</b>	5.569	0.000	0.000	0.000	0.000	5.569	0.000	832	0
<b>October 2007</b>	5.579	0.000	0.000	0.000	0.000	5.579	0.000	1765	0
<b>November 2007</b>	5.869	0.000	0.000	0.000	0.000	5.869	0.000	1045	0
<b>December 2007</b>	6.159	0.000	0.000	0.000	0.000	6.159	0.000	1480	0
<b>January 2008</b>	6.394	0.000	0.000	0.000	0.000	6.394	0.000	3346	0
<b>February 2008</b>	6.374	0.000	0.000	0.000	0.000	6.374	0.000	437	0
<b>March 2008</b>	6.167	0.000	0.000	0.000	0.000	6.167	0.000	1773	0
<b>April 2008</b>	5.337	0.000	0.000	0.000	0.000	5.337	0.000	886	0
<b>May 2008</b>	5.217	0.000	0.000	0.000	0.000	5.217	0.000	1612	0
<b>June 2008</b>	5.242	0.000	0.000	0.000	0.000	5.242	0.000	697	0
<b>July 2008</b>	5.272	0.000	0.000	0.000	0.000	5.272	0.000	560	0
<b>August 2008</b>	5.297	0.000	0.000	0.000	0.000	5.297	0.000	593	0
<b>September 2008</b>	5.277	0.000	0.000	0.000	0.000	5.277	0.000	584	0
<b>October 2008</b>	5.292	0.000	0.000	0.000	0.000	5.292	0.000	648	0
<b>November 2008</b>	5.567	0.000	0.000	0.000	0.000	5.567	0.000	474	0
<b>December 2008</b>	5.842	0.000	0.000	0.000	0.000	5.842	0.000	742	0
<b>January 2009</b>	6.067	0.000	0.000	0.000	0.000	6.067	0.000	932	0
<b>February 2009</b>	6.067	0.000	0.000	0.000	0.000	6.067	0.000	283	0
<b>March 2009</b>	5.897	0.000	0.000	0.000	0.000	5.897	0.000	1035	0
<b>April 2009</b>	5.087	0.000	0.000	0.000	0.000	5.087	0.000	834	0
<b>May 2009</b>	4.975	0.000	0.000	0.000	0.000	4.975	0.000	655	0
<b>June 2009</b>	5.000	0.000	0.000	0.000	0.000	5.000	0.000	184	0
<b>July 2009</b>	5.035	0.000	0.000	0.000	0.000	5.035	0.000	170	0
<b>August 2009</b>	5.070	0.000	0.000	0.000	0.000	5.070	0.000	169	0
<b>September 2009</b>	5.050	0.000	0.000	0.000	0.000	5.050	0.000	152	0
<b>October 2009</b>	5.080	0.000	0.000	0.000	0.000	5.080	0.000	127	0
<b>November 2009</b>	5.360	0.000	0.000	0.000	0.000	5.360	0.000	140	0
<b>December 2009</b>	5.635	0.000	0.000	0.000	0.000	5.635	0.000	284	0
<b>January 2010</b>	5.840	0.000	0.000	0.000	0.000	5.840	0.000	63	0
<b>February 2010</b>	5.830	0.000	0.000	0.000	0.000	5.830	0.000	84	0
<b>March 2010</b>	5.710	0.000	0.000	0.000	0.000	5.710	0.000	0	0
<b>April 2010</b>	4.910	0.000	0.000	0.000	0.000	4.910	0.000	0	0
<b>May 2010</b>	4.850	0.000	0.000	0.000	0.000	4.850	0.000	0	0
<b>June 2010</b>	4.875	0.000	0.000	0.000	0.000	4.875	0.000	0	0
<b>July 2010</b>	4.895	0.000	0.000	0.000	0.000	4.895	0.000	4	0
<b>August 2010</b>	4.910	0.000	0.000	0.000	0.000	4.910	0.000	0	0
<b>September 2010</b>	4.925	0.000	0.000	0.000	0.000	4.925	0.000	0	0
<b>October 2010</b>	4.940	0.000	0.000	0.000	0.000	4.940	0.000	4	0
<b>November 2010</b>	5.150	0.000	0.000	0.000	0.000	5.150	0.000	0	0

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**EXHIBIT "C"**

**Gas Pricing Information**

<b>Month/Year</b>	<b>NYMEX Final Settle DTH</b>	<b>Contract Differential</b>	<b>Price to be received by KPI MCF</b>	<b>Well Operator</b>	<b>Administrative Personnel</b>	<b>Methanol and Supplies</b>	<b>Mileage</b>	<b>TOTAL</b>
Jan-04	\$6.150							
Feb-04	\$5.775							
Mar-04	\$5.150							
Apr-04	\$5.365							
May-04	\$5.935							
Jun-04	\$6.680							
Jul-04	\$6.141							
Aug-04	\$6.048							
Sep-04	\$5.082							
Oct-04	\$5.723							
Nov-04	\$7.626							
Dec-04	\$7.976							
<b>2004 AVG</b>	<b>\$6.138</b>	<b>\$0.150</b>	<b>\$7.859</b>	<b>\$1.880</b>	<b>\$0.950</b>	<b>\$0.370</b>	<b>\$0.160</b>	<b>\$11.22</b>
Jan-03	\$4.988							
Feb-03	\$5.660							
Mar-03	\$9.133							
Apr-03	\$5.146							
May-03	\$5.123							
Jun-03	\$5.945							
Jul-03	\$5.291							
Aug-03	\$4.693							
Sep-03	\$4.927							
Oct-03	\$4.430							
Nov-03	\$4.459							
Dec-03	\$4.860							
<b>2003 AVG</b>	<b>\$5.388</b>	<b>\$0.150</b>	<b>\$6.922</b>	<b>\$1.880</b>	<b>\$0.950</b>	<b>\$0.370</b>	<b>\$0.160</b>	<b>\$10.28</b>