COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. 2005-00042

AN ADJUSTMENT OF THE GAS RATES OF THE UNION LIGHT, HEAT AND POWER COMPANY

TESTIMONY OF

DAVID H. BROWN KINLOCH

On Behalf of

THE OFFICE OF THE ATTORNEY GENERAL FOR THE COMMONWEALTH OF KENTUCKY

JUNE 2005

Soft Energy Associates • 414 South Wenzel Street • Louisville, KY 40204 • 502-589-0975

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

AN ADJUSTMENT OF THE GAS RATES OF THE UNION LIGHT, HEAT AND POWER COMPANY	)))	CASE NO. 2005-00042

TESTIMONY OF DAVID H. BROWN KINLOCH

Q1: PLEASE STATE YOUR NAME AND ADDRESS.

A1: My name is David H. Brown Kinloch and my business address is Soft Energy Associates, 414 S. Wenzel Street, Louisville, KY 40204.

Q2: FOR WHOM HAVE YOU PREPARED TESTIMONY?

A2: I have prepared this testimony for the Office of the Attorney General for the Commonwealth of Kentucky.

Q3: PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A3: I have received two master's degrees from Rensselaer Polytechnic Institute (RPI) in Troy, New York. I also received two undergraduate degrees from the same

school. My master's degrees are a Master of Engineering in Mechanical Engineering and a Master of Science in Science, Technology and Values, received in 1979 and 1981 respectively. My undergraduate degrees are in Mechanical Engineering and Philosophy. Much of my master's work included preparing Electric Generation Planning studies for the Center for Technology Assessment at Rensselaer. From this work I published two technical papers with IEEE Power Generation Division, and was a contributing author on two others. I also did work on New York State's first Energy Masterplan, one of the first comprehensive long-term planning studies in the nation.

Q4: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THIS COMMISSION?

A4: Yes, I testified in the numerous cases before this Commission. These cases include rate cases, Certificate of Convenience and Public Necessity cases, generation expansion planning cases, and other cases related to regulated utilities. A list of the cases in which I have presented testimony before this Commission is contained in Exhibit DHBK-1.

Q5: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

A5: The Office of the Attorney General asked me to review the application to adjust the gas rates filed by Union Light, Heat and Power (ULH&P) in this case. Specifically, I have reviewed the Cost of Service and Rate Design portion of the application. In my testimony, I will point out problems with the ULH&P

application in four specific areas: 1) the Cost of Service Study and allocation of any rate increase to rate classes, 2) the proposed monthly customer charges, 3) the proposed increase in the bad check and reconnection charges, and 4) the proposed use of the AMRP tariff rider in the future.

COST OF SERVICE STUDY

Q6: IN SUPPORT OF ULH&P'S APPLICATION TO ADJUST GAS RATES, THE COMPANY FILED A COST OF SERVICE STUDY BASED ON A FORECASTED TEST YEAR ENDING SEPTEMPER 30, 2006. DO YOU SEE ANY PROBLEMS WITH THIS COST OF SERVICE STUDY FILED BY ULH&P?

A6: Yes. While the Cost of Service Study filed in this case is similar to the one ULH&P filed in its last gas rate case, Case No. 2001-092, this study is based on a forecasted test year while the previous study was based on a historic test year. The Cost of Service Study filed in this case used inputs from a historic test year, the forecasted test year, and combined historic and forecasted data.

There are three specific problems that I found that need to be corrected. The first two, which are both related to sales volumes and demands that impact how costs are allocated between rate classes (1) are the way that ULH&P performed the weather normalization, and (2) the forecast for future Firm

Transportation sales volumes. The other problem is in the way that Regulator costs were allocated between rate classes.

Q7: THE FIRST PROBLEM YOU MENTIONED WAS WITH THE WAY ULH&P PERFORMED THE WEATHER NORMALIZATION. WHAT IS WRONG WITH THE WAY THAT ULH&P IMPLEMENTED THE WEATHER NORMALIZATION?

A7: Instead of correcting gas volumes using the standard NOAA 30-year normalization basis, Mr. Riddle proposes use of a normalization figure based on just a 10-year average for the years 1990-1999. He calculates this 10-year normal to be 4,950 Heating Degree Days (HDD) for Covington, Kentucky. He argues that average winter temperatures have increased in the last decade and that a shorter 10-year normalization period is a better predictor for future weather than the standard NOAA 30-year normal. He claims the NOAA 30-year normal is 5,200 HDD for Covington.

Q8: DO YOU AGREE THAT A 10-YEAR AVERAGING PERIOD IS A BETTER PREDICTOR OF FUTURE WEATHER THAN THE STANDARD 30-YEAR PERIOD?

A8: No. There are numerous problems with Mr. Riddle's reasoning and methodology. The first problem is that Mr. Riddle relied on incorrect data. It appears that both Mr. Riddle's 10-year calculation of 4,950 HDD for 1990-1999 and this 30-year NOAA normal of 5,200 HDD were based on preliminary data issued December 1,

2001. In February 2002, the National Climatic Data Center (NCDC) released revised HDD data that affected "First-Order" stations, which includes the Greater Cincinnati – Covington station. This revised release re-calculated each of the last 30 years' HDD based on a more accurate methodology. The resulting Covington 30-year normal for 1971-2000 is 5,148 HDD, instead of the preliminary 5,200 HDD that Mr. Riddle used. A copy of the portion of the revised NCDC publication that includes Covington, Kentucky is attached in Exhibit DHBK-2. An explanation of the more accurate revised NCDC degree day methodology used for the Covington data is attached in Exhibit DHBK-3. I confirmed with NCDC that the preliminary report that Mr. Riddle used contains inaccurate HDD figures for First-Order stations including Covington and that the revised report released in February 2002 should be used.

Had Mr. Riddle used the revised and more accurate 1971-2000 HDD normal for Covington, he would have realized that the 30-year normal of 5148 was not that far from recent weather experienced. On page 8 of his testimony, Mr. Riddle refers to his Attachment JAR-4 to show that seven out of the last ten years has HDDs below the 1971-2000 30-year normal. I have reworked his attachment in Exhibit DHBK-4 using the revised 5,148 HDD normal. Using the correct 30-year normal shows that of the last 10 years, 5 were below the 30-year normal and 5 were above the 30-year normal. Thus, the most recent 10 years did not have a majority of years below the 30-year normal, but instead, were evenly distributed above and below the revised 30-year normal.

It should be noted that Mr. Riddle used a mix of the inaccurate preliminary December 2001 HDD data and the revised February 2002 data. While his Attachment JAR-1, page 2 of 2, is the preliminary data and the 4,950 HDD 10-year average is based on the preliminary data, Attachments JAR-2, 3, 4, and 5 all use the corrected revised data.

Q9: IN ADDITION TO ULH&P'S USE OF INACCURATE WEATHER DATA, ARE THERE PROBLEMS WITH THE METHODOLOGY THAT WAS USED?

A9: Yes. While I believe that Exhibit DHBK-4 shows that recent year HDDs are not out of line with the 30-year normal and the use of a 10-year normal period is not justified, the use of a short period, such as 10 years, creates unnecessary problems. When a short period is used there are fewer data points included in the average. As a result, one single year that is far from the norm can have a significant impact on the results. Just moving this period forward or backward a few years can produce very different results. This problem creates the possibility of shopping for the 10-year period that produces the best results.

The ULH&P proposed 10-year period suffers from this problem. Instead of selecting the 10-year period that lined up with the NCDC publication period of 1971-2000 (thus using 1991-2000) or using the 10 most recent years, as Mr. Riddle did in his Attachments JAR-3, 4, and 5, he selected the 10-year period of 1990-1999. In Exhibit DHBK-5, I have calculated 10-year normals for nine periods, including the three years before the period used by Mr. Riddle, up through the most recent 10 years. As it turns out, of the 9 periods examined, Mr.

Riddle selected the period that produced the lowest number of heating degree days. In fact, the 1990-1999 period produces HDD results significantly lower than any of the other periods. All of the other possible 10-year periods are closer to the 1971-2000 30-year normal than the one selected by Mr. Riddle.

It should be noted that the Commission had this same concern with the 10-year normal period proposed by ULH&P in its last rate case. On pages 14 and 15 of the Commission's Rehearing Order in Case No. 2001-00092, the Commission rejected ULH&P's 10-year methodology specifically because the use of short periods can produce very different results depending on which years are included. Again in this case, ULH&P has demonstrated the problem, caused by use of a short normal period by selecting the period that would benefit the Company the most.

Q10: MR. RIDDLE PROVIDED A SPEECH MADE BY DR. KARL OF NOAA IN SUPPORT OF USING A 10-YEAR NORMALIZATION PERIOD. HAS NOAA ADOPTED THE USE OF A 10-YEAR NORMALIZATION PERIOD?

A10: No. In the comments made by Dr. Karl in the speech provided by Mr. Riddle, Dr. Karl states that in response to requests, NOAA was now providing the data that would allow users to construct normalization periods of a length different from the 30-year normal that NOAA and NCDC provide. Dr. Karl, NOAA, and NCDC have never endorsed the use of a 10-year normalization period or any period other than 30 years. In fact all Heating Degree Data normals provided by NOAA and NCDC are for 30-year periods.

Q11: WHAT IS YOUR RECOMMENDATION WITH RESPECT TO WEATHER NORMALIZATION IN THIS CASE?

A11: I recommend that the Commission continue it past policy of using a standard 30-year normalization period. ULH&P has presented no evidence that would justify using a normalization period other than 30 years. In previous cases, the Commission has requested the use of the 30 most recent years in the normalization. In Exhibit DHBK-5, I have calculated the 30-year normal for Covington using the most recent 30 years of data. The result is 5,133 HDD. I have used this 30-year normal figure to correct the gas volumes and demands in the Cost of Service Study. I have also provided this figure to Mr. Henkes, for use in calculating the revenue implications of corrected normalized sales volumes.

Q12: THE OTHER PROBLEM YOU MENTIONED THAT AFFECTS THE GAS VOLUMES AND DEMANDS USED IN THE COST OF SERVICE STUDY IS THE VOLUMES FORECASTED BY ULH&P FOR THE FIRM TRANSPORTATION CLASS. WHAT IS THE PROBLEM WITH THESE FORECASTED VOLUMES?

A12: In this case, ULH&P uses a forecasted test year instead of a historic test year. This requires that revenues and costs be forecast for a period in the future. In this case, the forecast period is the year ending September 30, 2006, which uses the historic test year ending October 31, 2004 as a starting point. ULH&P forecasts

that Firm Transportation gas volumes will decline 26.6% in the 23 months between the actual historic test year and the forecast test year.

In the Attorney General's First Data Request, Question 130, and in the Attorney General's Second Data Request, Question 49, ULH&P was asked to explain why Firm Transportation (FT) volumes were projected to decline so significantly. Two reason were given by ULH&P. First, ULH&P is projecting the loss of 3 customers in this 2 year period, from 54 FT customers to 51. Second, ULH&P is projecting a 24% increase in gas costs in the next two years, which it projects will decrease sales by 20%. Combining these two factors would result in a decrease in FT volumes of 26.6% over two years.

Q13: DO YOU AGREE WITH ULH&P'S PROJECTED DECLINE IN FIRM TRANSPORTATION VOLUMES?

A13: No. The ULH&P forecast of a steep decline in Firm Transportation volumes stands in stark contrast to what the FT class has actually experienced in recent years. With respect to the number of FT customers, while ULH&P has projected the loss 3 FT customers, since the historic test year ULH&P has actually gained 3 FT customers, from 54 to the current level of 57 customers. Clearly, the ULH&P forecast is out of touch with the actual experience of the FT class.

ULH&P's forecast of a 20% reduction in FT volumes due to gas cost increases also does not square with actual experience with the FT class. In Exhibit DHBK-6, I have shown the year-to-year growth rates of gas volumes for the FT class for the five most recent years of data. In this exhibit, I have also

shown the increases in gas prices for the same years. This exhibit shows that while gas prices increased over 63% between 2002 and 2003, instead of FT volumes decreasing as ULH&P predicts, FT volumes actually increased over 15% during this period. Also, when gas prices decreased about 14% between 2001 and 2002, FT volumes declined over 15% instead of increasing as the ULH&P model would predict. It doesn't appear that FT volumes are responding to gas pricing as ULH&P suggests.

A much better explanation for how FT volumes have increased and decreased is that the FT class is simply responding to economic conditions. Looking at Exhibit DHBK-6, FT volumes declined in 2002, when our nation was in a recession. As we have come out of the recession, FT volumes grew by over 15% in 2003 and by over 9% in 2004.

Q14: WHAT DATA DID ULH&P USE AS A BASIS FOR PROJECTING A DECLINE IN FT VOLUMES?

A14: In ULH&P's response to the Attorney General's First Data Request, Question 130, Attachment page 1 of 2, the decrease in Industrial volumes between 2001 and 2002 is used as the reference data. But the drop in volumes referenced were during the recession. Since then FT volumes have grown by 15% and 9% in 2003 and 2004, respectively.

Since the economy is growing now and is projected to continue growing as least in the near future, the ULH&P projection of a decline in FT volumes is out of touch with what is actually being experienced by the FT class. ULH&P has

provided no evidence in this case that indicates that FT volumes will decline in the next year and a half. To the contrary, FT growth in volume in the two most recent years since the end of the recession indicates that FT volumes will instead grow, not decline.

Q15: WHAT FIRM TRANSPORTATION VOLUMES DO YOU PROJECT FOR THE FORECAST TEST YEAR, BASED ON THE GROWTH THAT THE FT CLASS IS EXPERIENCING?

A15: I have calculated the projected growth in FT volumes between the actual volumes in the historic year and the forecast test year. In Exhibit DHBK-7, I have calculated the size of the weather normalization necessary to correct the historic test year FT volumes to weather normalized volumes based on a 5,133 HDD 30-year normal. This correction factor was then transferred to Exhibit DHBK-8, where the most recent growth rate of 9.08% was applied to the 23 months between the historic and forecast test years. The corrected FT volume was then used in the Cost of Service Study to calculate corrected allocation factors for volumes and demands.

I have also taken the results of Exhibit DHBK-8, and calculated the revenue impacts due to this difference in FT volumes in Exhibit DHBK-9. For this calculation, I have assumed the number of FT customers at the end of the historic test year, 55 customers. The results of Exhibit DHBK-9 were supplied to Mr. Henkes, to be used in the calculation of revenue requirements.

Q16: HOW DID YOU INCLUDE THE REVISED GAS VOLUMES BY RATE CLASS INTO THE COST OF SERVICE STUDY?

A16: Once the volumes and associated demands were corrected based on corrected weather normalization and Firm Transportation growth, I included these figures into ULH&P's calculation of the "Peak & Average – Peak Day" allocator calculation. This has been done in the calculations included in Exhibit DHBK-10.

Q17: THE OTHER ALLOCATOR IN THE COST OF SERVICE STUDY THAT YOU SUGGESTED HAD A PROBLEM WAS THE ALLOCATION OF REGULATOR COSTS. WHAT IS THE PROBLEM WITH THIS ALLOCATOR?

A17: ULH&P used a complex weighting methodology to develop the allocator for Regulators. This was done in WPFR-9v, page 14 of 31. The result of this exercise was to allocate residential customers over 68% of the costs, when actual residential costs in this workpaper show that residential customers only account for less that 54% of the costs. The problem arises because there are only 52,559 residential regulators, yet regulators are being charged to 83,852 residential customers.

Allocation and a weighting system are necessary for commercial and industrial customers because they are a part of three difference rate classes. By contrast, residential customers are only in one rate class, and the regulator cost for this class is known and needs no allocation to other classes. In Exhibit DHBK-11, I have solved this problem with the ULH&P calculations by directly assigning

residential regulator costs, then I used a weighting allocation methodology to allocate the commercial and industrial regulator costs.

Q18: HOW HAVE YOU INTEGRATED THESE CORRECTED ALLOCATORS INTO THE COST OF SERVICE STUDY?

A18: As a starting point, I have used the ULH&P Cost of Service Study and then corrected the problems I have found. This will allow the Commission to make an "apples to apples" comparison of my results and the Company's. It is important to note that to accomplish this comparison, I must use most of the figures assumed in the ULH&P study. This does not mean that I am endorsing the expense adjustment and revenue requirement proposed by the Company. Instead, I endorse the adjustments and revenue requirements sponsored by Mr. Henkes, but am only using the Company's figures in the Cost of Service Study to allow a comparison of my study to the ULH&P study.

In Exhibit DHBK- 12, I have summarized the changes I have made to the volume, demand, and regulator allocators. As can be seen in this exhibit, all other allocators have not been changed and are the same as in the Company's study. The only other change I have made is to the class revenues to reflect the proposed changes in gas volumes.

The allocators summarized in Exhibit DHBK-12 were integrated in the Cost of Service Study filed by ULH&P in this case. The result is a corrected Cost of Service Study that can be found in Exhibit DHBK-13.

Q19: WHAT ARE THE RESULTS OF YOUR STUDY, AND HOW DO THESE RESULTS DIFFER FROM THE ULH&P RESULTS?

A19: To view and compare the results of my Cost of Service Study, I have produced a summary exhibit similar to Mr. Ochsner's Attachment PFO-1. My results, based on the corrected Cost of Service Study, are summarized in Exhibit DHBK-14. While I have used the same summary tables to offer the Commission a comparison of the two studies, this does not mean that I accept Mr. Ochsner's methodology to allocate the rate increase between classes. To the contrary, I have significant concerns with his methodology and do not accept it.

Q20: WHAT ARE YOUR CONCERNS ABOUT THE ULH&P ALLOCATION METHODOLOGY, AND WHY DO YOU NOT ACCEPT IT?

A20: The results of the ULH&P methodology are not reasonable or fair. While the Residential class makes up only 65% of present revenues, the ULH&P methodology would assign over 90% of the increase to this class.

The problem is the design of the methodology. The starting point for the allocation is not present revenues, but capitalization. This starting point assigns it over 72% of the increase to the Residential class, instead of the 65% of present revenues. On top of this, ULH&P proposes to add half of a calculated subsidy based on the proposed rate of return. The result is to assign this one class over 90% of the proposed increase.

To illustrate the problem of this proposed methodology, if the Residential class was assigned 100% of the UHL&P calculated subsidy, this class would be

assigned about 120% of the total rate increase. The ULH&P proposed increase allocation methodology is neither fair nor reasonable.

In Exhibit DHBK-15 I have put forth a revenue increase allocation methodology which is more fair and reasonable. As a starting point, I propose allocating the rate increase to the classes in proportion to present revenues. I also believe that from this point, it makes sense to move class returns closer based on the results of the Cost of Service Study.

The other extreme would be to assign the entire rate increase to the classes with present returns below the allowed rate of return. This would assign the entire increase to just the Residential and Interruptible Transportation classes.

What I am proposing is to move the two classes with returns below the overall return one-third of the way from an allocation proportional to the present revenues to the extreme of these classes taking the entire increase. I used a movement of one-third since this is the same movement that ULH&P is proposing for the monthly customer charges. The results are listed below in terms of percent of the total increase approved by the Commission:

CLASS	Present Revenues	Below ROR	AG Recommendation
Residential	65.0%	98.9%	76.3%
General Service	31.9%	0%	21.3%
Firm Transportation	2.3%	0%	1.5%
Interruptible Transportation	0.7%	1.1%	0.9%

I believe that assigning the increase to the rate classes based on the above percentages to be fair and reasonable. Assigning more than about three-quarters of the entire increase to one class, the Residential class, would place too large a burden on this class. The Commission should continue its policy of continuity and gradualism, and assign no more than 76.3% of the overall increase to the Residential class.

MONTHLY CUSTOMER CHARGE

Q21: ULH&P HAS TAKEN THE RESULTS OF ITS COST OF SERVICE STUDY AND THEN BROKEN THE COSTS DOWN INTO THEIR FUNCTIONAL COMPONENTS. FROM THIS FUNCTIONALIZATION, COSTS HAVE BEEN ANALYZED TO CALCULATE A MONTHLY CUSTOMER CHARGE FOR EACH CLASS. DO YOU AGREE WITH HIS METHODOLOGY?

A21: The methodology employed by ULH&P is rather unorthodox, since the functionalization of costs is usually the first step in constructing a Cost of Service Study. By doing these steps backwards, it makes it difficult to track the source of expenses. Though I have questions about this unconventional approach, I have used it to make my analysis consistent with the Company's analysis.

My major concern about the calculation monthly customer charges is the costs that ULH&P has included in its calculation. I disagree with ULH&P with

respect to which expenses should be collected through the fixed monthly customer charge. The Company proposes to collect all costs that were labeled as customer related in the Cost of Service Study through the monthly customer charge. The problem with this argument is that there are some costs that are given the "customer" label that actually should be collected on a commodity basis for each customer class. A good example is Uncollectibles. The NARUC Gas Distribution Rate Design Manual identifies this cost as one that is much more likely to vary with the amount of gas sold as opposed to varying with the number of customers. It should be collected from customers as part of a commodity charge, even though it is labeled as a customer account.

Q22: WHAT COSTS ARE PROPERLY COLLECTED WITH A MONTHLY CUSTOMER CHARGE?

A22: In the NARUC Gas Distribution Rate Design Manual, on page 12, the manual states:

> "The basis for the customer charge is that there are certain fixed costs that each customer should bear whether any gas is used at all. Examples of such costs are those associated with a service line, a regulator and a meter, recurring meter reading expenses, and administrative costs of servicing the account."

Like Uncollectibles, distribution mains is another cost that is given the "customer" label but clearly does not fit the NARUC description of an appropriate cost to be collected through the monthly charge. ULH&P has included mains in

its calculation of the charge level and it should not be included. In Exhibit DHBK-16, I have added my Cost of Service Study results to ULH&P's class functionalization for the Residential class.

The functional costs associated with the Residential monthly customer charge were then transferred to Exhibit DHBK-17. In this exhibit, the Residential customer costs are calculated to be $15.29 per month. As ULH&P has proposed, I accept the concept of moving the customer charge one-third of the way between the current charge and the calculated cost, to conform to the Commission's policy of continuity and gradualism. The current charge is $8.30 for the Residential class. Moving the charge one-third toward the calculated cost results in a proposed Residential Monthly Customer Charge of $10.63 per month.

Q23: HOW DOES YOUR PROPOSED RESIDENTIAL MONTHLY CUSTOMER CHARGE COMPARE TO THE CHARGES OF OTHER GAS UTILITIES?

A23: The table below compares ULH&P's current and proposed charge to other utilities:

Atmos	$7.50
Columbia	$6.95
Delta	$9.80
Equitable	$7.50
LG&E	$8.50
ULH&P – Current	$8.30
ULH&P - Company Proposal	$15.00
ULH&P - AG Proposal	$10.63

The charge of $10.63 per month that I have proposed would be the highest of any major gas utility in the Commonwealth. Still, this charge would not be significantly larger than what other utilities are charging. By contrast, the ULH&P proposed charge would be substantially larger than the charges of other utilities, in some cases nearly double. The ULH&P proposed increase of over 80% would also contradict the Commission's policy of continuity and gradualism. I recommend that the Commission limit any increase in Residential Monthly Customer Charge to a maximum charge of $10.63 per month.

Q24: WHAT IS YOUR RECOMMENDATION FOR A MONTHLY CUSTOMER CHARGE FOR THE GENERAL SERVICE CLASS?

A24: In the same manner, I have functionalized the General Service costs from the Cost of Service Study in Exhibit DHBK-18. The customer charge costs from this exhibit were used in Exhibit DHBK-19 to calculate a Monthly Customer Charge for the General Service class, using the same methodology that was used for the Residential class. The results of those calculations are a recommended customer charge of $22.84 per month. The table below compares this proposal to the charges of other gas utilities in the state for General Service customers:

Atmos	$20.00
Columbia	$18.88
Delta	$20.00
Equitable	$7.50
LG&E	$16.50
ULH&P – Current	$15.35

ULH&P - AG Proposal	$22.84
ULH&P - Company Proposal	$38.50

As with the Residential class, my proposed charge for General Service customers would be the highest of these Kentucky gas utilities, but wouldn't be significantly higher. By contrast, the ULH&P proposed charge would be substantially larger, about twice the size of the other utilities. The Company's proposed 150% increase clearly violates the principle of continuity and gradualism and should be rejected. I recommend that the Commission limit any increase in the General Service Monthly Customer Charge to a maximum charge of $22.84 per month.

MISCELLANEOUS CHARGES

Q25: ULH&P HAS PROPOSED TO INCREASE ITS BAD CHECK CHARGE OVER 80%, FROM $11.00 TO $20.00. WHAT JUSTIFICATION DOES THE COMPANY GIVE FOR THIS PROPOSED INCREASE?

A25: ULH&P has proposed to almost double its Bad Check charge to make it "more consistent with the bad check fees imposed by other businesses such as banks and retailers". The Company goes on to say that some customers might be more inclined to write a bad check to it as opposed to other businesses with higher fees.

It is hard to conceive that customers would shop around to find the lowest Bad Check fees before writing a bad check to any particular company.

Further, when ULH&P was requested to provide its costs of processing bad checks in the Attorney General's Second Data Request, Question 52, the Company responded that it "has not performed a study of the costs associated with processing bad checks." Thus the cost associated with processing bad checks by ULH&P is unknown, and as such, ULH&P has not put forward evidence necessary to judge whether its proposed increase is fair, just and reasonable. Simply comparing a proposed charge to what retailers are charging gives us no information on the cost of this operation for ULH&P. The Commission should reject any change in ULH&P's Bad Check fee since the Company has failed to produce a cost justification for its proposal.

Q26: ULH&P HAS ALSO PROPOSED TO INCREASE THE GAS RECONNECTION CHARGE BY 67%, FROM $15.00 TO $25.00. UNLIKE THE BAD CHECK CHARGE, THE COMPANY HAS ATTEMPTED TO QUANTIFY ITS COSTS ASSOCIATED WITH THIS FEE. DO YOU AGREE WITH THIS STEEP INCREASE IN THE RECONNECTION FEE PROPOSED BY ULH&P?

A26: No. The Commission needs to keep in mind that the higher the reconnection fees, the greater the deterrent to quick reconnection. Living in a household without gas for heat, hot water and cooking can be very hard on a family. Poor families have a difficult time finding the money both to pay back-balances that lead to the

disconnect and to pay the reconnection fee. The larger the Reconnection fee, the more difficult it is for families to reconnect. Not only does this hurt the families involved, it also reduces the motivation to pay the past due balances. This can increase uncollectibles. It is particularly important that the Commission apply its policy of continuity and gradualism to the Reconnection fee.

I recommend that the Reconnection fee be raised by a percentage no higher than the overall percent rate increase the Commission allows in this case. In Exhibit DHBK-20, I have applied the Attorney General's recommended overall rate increase percent to the Reconnection Charge. Based on these calculations, I am recommending a gas-only Reconnection fee of $15.41 and a combined Reconnection fee of $21.57. I have provided this proposed increase in fees to Mr. Henkes for his calculation of proposed revenue requirements.

AMRP TARIFF RIDER

Q27: IN THIS CASE, COSTS THAT HAVE BEEN COLLECTED WITH THE AMRP TARIFF RIDER ARE BEING ROLLED INTO BASE RATES. BUT ULH&P HAS PROPOSED TO BEGIN USING THE AMRP TARIFF RIDER AGAIN FOR ACCELERATED MAIN REPLACEMENT COSTS THAT ARE INCURRED AFTER THE END OF THE FORECAST TEST YEAR. DO YOU AGREE WITH THIS PROPOSAL?

A27: No. The Accelerated Main Replacement Program (AMRP) tariff rider is an means to collect the costs associated with this program outside of a regular rate case. The use of this rider constitutes single-issue ratemaking, which I believe is poor policy. The issue was addressed in detail in ULH&P's last gas rate case, Case No. 2001-00092 and the problems set out then are still problems. While the Company is adding these new assets, other assets are depreciating that could offset these new investments. Other costs may decrease, as the cost of debt has done. Taxes may decrease, as has happened. The decreases in these costs may offset some or all of the mains replacement costs. When single-issue ratemaking is allowed, the offsetting cost reductions are not accounted for, and customers could be overcharged.

Q28: DIDN'T THE STATE LEGISLATURE RECENTLY PASS A BILL THAT AUTHORIZEs A SEPARATE RIDER FOR THE COLLECTION OF COSTS IN A PROGRAM LIKE ULH&P'S AMRP?

A28: While it is correct that the 2005 Legislature passed HB 440, it is unclear what impact this statute will actually have. The pertinent language from this bill is:

> "Notwithstanding any other provision of law to the contrary, upon application by a regulated utility, the commission may allow recovery of costs for investment in natural gas pipeline replacement programs which are not recovered in the existing rates of a regulated utility. No recovery shall be allowed unless the costs shall have been deemed by the commission to be fair, just, and reasonable."

I am not a lawyer, but I see differences between the Environmental Surcharge, KRS 278.183, and HB 440. I have attached a copy of KRS 278.183, the Environmental Surcharge statute, for comparison as Exhibit DHBK-21.

While KRS 278.183 specifically authorizes a separate tariff rider and states that the utility "shall be entitled" to recovery of environmental costs, HB 440 does not specifically mention a separate rider and the Commission "may" authorize recovery. Under HB 440, there is no reason to believe that these costs cannot be recovered in a general rate case so that there is no need for a separate rider.

Another significant difference is that while the Environmental Surcharge statute specifically authorizes a return or profit to be earned on environmental investments as a cost to be recovered in the separate tariff, HB 440 only authorizes the recovery of pipeline costs and provides no authorization for utilities to earn a return or profit on these investments.

It is clear that HB 440 does not authorize the type of tariff rider that ULH&P has requested in its proposal for future use of the AMRP. The Commission should reject the use of the proposed or any AMRP rider by ULH&P in the future.

Q29: DO YOU HAVE OTHER CONCERNS ABOUT THE AMRP TARIFF RIDER THAT ULH&P HAS PROPOSED TO USE IN THE FUTURE?

A29: Yes. ULH&P has proposed to collect the AMRP rider on a per customer basis for the Residential and General Service classes. This proposal is in direct

contradiction to the results of the Cost of Service Study in this case. The ULH&P analysis of mains showed that 78% of the mains were demand related and only 22% was customer related. Since the vast majority of main costs are demand related, AMRP costs should clearly be collected on a demand or commodity basis. In addition, as I discussed with the Monthly Customer Charge, it is not appropriate to collect any part of the costs of mains on a customer basis. If an AMRP rider is eventually authorized, it should only be collected on a commodity, or per MCF basis.

Q30: IS IT POSSIBLE FOR ULH&P TO COLLECT THE AMRP RIDER ON A COMMODITY BASIS FOR THE RESIDENTIAL AND GENERAL SERVICE CLASSES?

A30: Yes. Currently ULH&P is collecting the AMRP charge on a commodity or per MCF basis for the two transportation classes. There is no reason that ULH&P can not also collect the rider on a commodity basis for the Residential and General Service classes.

Q31: DOES THIS CONCLUDE YOUR TESTIMONY?

A31: Yes it does.

I, David H. Brown Kinloch, certify that the statements contained in the foregoing testimony are true and correct to the best of my knowledge, information, and belief.

Dated this 6th day of June, 2005.

David H. Brown Kinloch

Affirmed to and subscribed
before me, this 6th day
of June, 2005.

Notary Public

My Commission Expires: 4/26/06

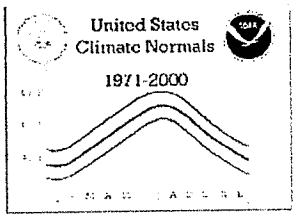
Cases in which testimony has been presented by David Brown Kinloch:

Case No. – Utility - Case Type

9242 - Louisville Gas & Electric Co. - Trimble County 1 power plant
9613 - Big Rivers Electric Corp. – Rate Case
9824 – Louisville Gas & Electric Co. - Rate Case
9934 - Louisville Gas & Electric Co. - Trimble County 1 power plant
10064 – Louisville Gas & Electric Co . - Rate Case
10320 - Louisville Gas & Electric Co. – 25% Disallowance of Trimble County 1 power plant
90-158 – Louisville Gas & Electric Co. - Rate Case
91-066 - Kentucky Power Co. – Rate Case
91-115 - Kentucky Utilities - Certificate of Convenience and Necessity Case
91-370 - Union Light Heat and Power Co. – Rate Case
92-112 - East Kentucky Power - Certificate of Convenience and Necessity Case
92-219 - Clark RECC – Rate Case
92-346 - Union Light Heat and Power Co. – Rate Case
93-113 - Kentucky Utilities - Coal Litigation Refund Case
93-150 - Louisville Gas and Electric Co. - Demand Side Management Case
93-163 - Big Rivers - Sale of Peaking Capacity to Hoosier Energy
93-465 - Kentucky Utilities - Environmental Surcharge Case
94-332 - Louisville Gas and Electric Co. - Environmental Surcharge Case
94-336 - East Kentucky Power Cooperative – Rate Case
94-336 – Pass-through each of East Kentucky Power's Cooperatives
95-010 - Western Kentucky Gas Co. – Rate Case
96-489 - Kentucky Power Company - Environmental Surcharge Case
96-523 - Kentucky Utilities - Fuel Adjustment Clause Case
96-524 - Louisville Gas & Electric Co. - Fuel Adjustment Clause Case
97-066 - Delta Natural Gas Co. – Rate Case
97-204 - Big Rivers Electric Corp. – Rate Case
97-209 - Meade County RECC – Rate Case
97-219 - Green River EC – Rate Case
97-220 - Henderson Union ECC – Rate Case
97-224 - Jackson Purchase ECC – Rate Case
97-300 - Louisville Gas and Electric and Kentucky Utilities - Merger Case
98-321 - Licking Valley RECC – Rate Case
2000-056 - East Kentucky Power - Certificate of Convenience and Necessity Case
2000-079 - East Kentucky Power - Certificate of Convenience and Necessity Case
2000-080 – Louisville Gas & Electric Co. - Rate Case
2000-095 - LG&E Energy and PowerGen - Merger Case
2000-426 - Union Light, Heat and Power Co. - Refund Case
2001-053 - East Kentucky Power - Certificate of Convenience and Necessity Case
2002-029 – LG&E and KU - Certificate of Convenience and Necessity Case

Case No. – Utility - Case Type

2003-00030 - East Kentucky Power - Certificate of Convenience and Necessity Case
2003-00052 - Union Light, Heat and Power Co. - Generation Acquisition Case
2003-00165 - Kenergy Corp. – Rate Case
2003-00433 – Louisville Gas & Electric Co. - Rate Case
2003-00434 - Kentucky Utilities Co. – Rate Case
2004-00067 - Delta Natural Gas Co. – Rate Case
2004-00507 - Louisville Gas & Electric and Kentucky Utilities - Trimble County 2 power plant



CLIMATOGRAPHY OF THE UNITED STATES NO. 81

Monthly Normals of Temperature, Precipitation, and Heating and Cooling Degree Days
1971-2000

KENTUCKY

NOTES

Product Description:
This Climatography includes 1971-2000 normals of monthly and annual maximum, minimum, and mean temperature (degrees F), monthly and annual total precipitation (inches), and heating and cooling degree days (base 65 degrees F). Normals stations include both National Weather Service Cooperative Network and Principal Observation (First-Order) locations in the 50 states, Puerto Rico, the Virgin Islands, and Pacific Islands.

Abbreviations:

No. = Station Number in State Map
COOP ID = Cooperative Network ID (1:2=State ID, 3:6=Station Index)
WBAN ID = Weather Bureau Army Navy ID, if assigned
Elements = Input Elements (X=Maximum Temperature, N=Minimum Temperature, P=Precipitation)
Call = 3-Letter Station Call Sign, if assigned
MAX = Normal Maximum Temperature (degrees Fahrenheit)
MEAN = Average of MAX and MIN (degrees Fahrenheit)
MIN = Normal Minimum Temperature (degrees Fahrenheit)
HDD = Total Heating Degree Days (base 65 degrees Fahrenheit)
CDD = Total Cooling Degree Days (base 65 degrees Fahrenheit)

Latitude = Latitude in degrees, minutes, and hemisphere (N=North, S=South)
Longitude = Longitude in degrees, minutes, and hemisphere (W=West, E=East)
Elev = Elevation in feet above mean sea level
Flag 1 = * if a published *Local Climatological Data* station
Flag 2 = + if WMO Fully Qualified (see *Note* below)

HIGHEST MEAN/YEAR = Maximum Mean Monthly Value/Year, 1971-2000
MEDIAN = Median Mean Monthly Value/Year, 1971-2000
LOWEST MEAN/YEAR = Minimum Mean Monthly Value/Year, 1971-2000
MAX OBS TIME ADJUSTMENT = Add to MAX to Get Midnight Obs. Schedule
MIN OBS TIME ADJUSTMENT = Add to MIN to Get Midnight Obs. Schedule

Note: In 1989, the World Meteorological Organization (WMO) prescribed standards of data completeness for the 1961-1990 WMO Standard Normals. For full qualification, no more than three consecutive year-month values can be missing for a given month or no more than five overall values can be missing for a given month (out of 30 values). Stations meeting these standards are indicated with a '+' sign in Flag 2. Otherwise, stations are included in the normals if they have at least 10 year-month values for each month and have been active since January 1999 or were a previous normals station.

Map Legend: Numbers correspond to 'No.' in Station Inventory; Shaded Circles indicate Temperature and Precipitation Stations, Triangles (Point Up) indicate Precipitation-Only Stations, Triangles (Point Down) indicate Temperature-Only Stations, and Hexagons indicate stations with Flag 1 = *.

Computational Procedures:

A climate normal is defined, by convention, as the arithmetic mean of a climatological element computed over three consecutive decades (WMO,1989). Ideally, the data record for such a 30-year period should be free of any inconsistencies in observational practices (*e.g.*, changes in station location, instrumentation, time of observation, *etc.*) and be serially complete (*i.e.*, no missing values). When present, inconsistencies can lead to a non-climatic bias in one period of a station's record relative to another, yielding an "inhomogeneous" data record. Adjustments and estimations can make a climate record "homogeneous" and serially complete, and allow a climate normal to be calculated simply as the average of the 30 monthly values.

The methodology employed to generate the 1971-2000 normals is not the same as in previous normals, as it addresses inhomogeneity and missing data value problems using several steps. The technique developed by Karl *et al.* (1986) is used to adjust monthly maximum and minimum temperature observations of conterminous U.S. stations to a consistent midnight-to-midnight schedule. All monthly temperature averages and precipitation totals are cross-checked against archived daily observations to ensure internal consistency. Each monthly observation is evaluated using a modified quality control procedure (Peterson *et al.*,1998), where station observation departures are computed, compared with neighboring stations, and then flagged and estimated where large differences with neighboring values exist. Missing or discarded temperature and precipitation observations are replaced using a weighting function derived from the observed relationship between a candidate's monthly observations and those of up to 20 neighboring stations whose observations are most strongly correlated with the candidate site. For temperature estimates, neighboring stations were selected from the U.S. Historical Climatology Network (USHCN; Karl *et al.* 1990). For precipitation estimates, all available stations were potential neighbors, maximizing station density for estimating the more spatially variable precipitation values.

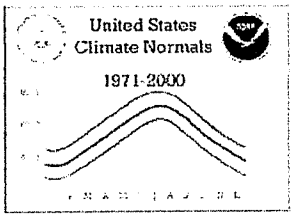
Peterson and Easterling (1994) and Easterling and Peterson (1995) outline the method for adjusting temperature inhomogeneities. This technique involves comparing the record of the candidate station with a reference series generated from neighboring data. The reference series is reconstructed using a weighted average of first difference observations (the difference from one year to the next) for neighboring stations with the highest correlation with the candidate. The underlying assumption behind this methodology is that temperatures over a region have similar tendencies in variation. If this assumption is violated, the potential discontinuity is evaluated for statistical significance. Where significant discontinuities are detected, the difference in average annual temperatures before and after the inhomogeneity is applied to adjust the mean of the earlier block with the mean of the latter block of data. Such an evaluation requires a minimum of five years between discontinuities. Consequently, if multiple changes occur within five years or if a change occurs very near the end of the normals period (*e.g.*, after 1995), the discontinuity may not be detectable using this methodology.

The monthly normals for maximum and minimum temperature and precipitation are computed simply by averaging the appropriate 30 values from the 1971-2000 record. The monthly average temperature normals are computed by averaging the corresponding monthly maximum and minimum normals. The annual temperature normals are calculated by taking the average of the 12 monthly normals. The annual precipitation and degree day normals are the sum of the 12 monthly normals. Trace precipitation totals are shown as zero. Precipitation totals include rain and the liquid equivalent of frozen and freezing precipitation (*e.g.*, snow, sleet, freezing rain, and hail). For many NWS locations, indicated with an '*' next to 'HDD' and 'CDD' in the degree day table, degree day normals are computed directly from daily values for the 1971-2000 period. For all other stations, estimated degree day totals are based on a modification of the rational conversion formula developed by Thom (1966), using daily spline-fit means and standard deviations of average temperature as inputs.

References:

Easterling, D.R, and T.C. Peterson, 1995: A new method for detecting and adjusting for undocumented discontinuities in climatological time series. *Intl. J. Clim.*, **15**, 369-377.
Karl, T.R., C.N. Williams, Jr., P.J. Young, and W.M. Wendland,1986: A model to estimate the time of observation bias associated with monthly mean maximum, minimum, and mean temperatures for the United States, *J. Clim. Appl. Met.*, **25**, 145-160.
Peterson, T.C., and D.R. Easterling, 1994: Creation of homogeneous composite climatological reference series. *Intl. J. Clim.*, **14**, 671-679.
Peterson,T.C., R. Vose, R. Schmoyer, and V. Razuvaev, 1998: Global Historical Climatology Network (GHCN) quality control of monthly temperature data. *Intl. J. Clim.*, **18**, 1169-1179.
Thom, H.C.S., 1966: Normal degree days above any base by the universal truncation coefficient, *Month. Wea. Rev.*, **94**, 461-465.
World Meteorological Organization, 1989: Calculation of Monthly and Annual 30-Year Standard Normals, WCDP-No. 10, WMO-TD/No. 341, Geneva: World Meteorological Organization.

Release Date: Revised 02/2002* **National Climatic Data Center/NESDIS/NOAA, Asheville, North Carolina**

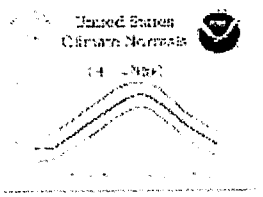


CLIMATOGRAPHY OF THE UNITED STATES NO. 81

Monthly Normals of Temperature, Precipitation, and Heating and Cooling Degree Days
1971-2000

KENTUCKY

No.	Station Name	Element	DEGREE DAYS (Total) JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	ANNUAL
003	ASHLAND	HDD	1076	875	684	383	171	27	1	9	77	338	636	940	5217
		CDD	0	0	0	4	69	185	299	254	113	19	0	0	943
004	BARBOURVILLE	HDD	958	757	578	318	136	10	0	2	42	306	557	846	4510
		CDD	0	0	0	6	85	209	331	295	135	34	1	0	1096
005	BARDSTOWN 5 E	HDD	996	768	566	289	117	7	0	5	49	281	558	861	4497
		CDD	0	0	0	9	96	221	341	301	139	29	0	0	1136
006	BARDWELL 2 E	HDD	959	717	505	222	77	2	0	1	30	213	508	833	4067
		CDD	0	0	3	22	139	313	434	371	183	33	2	0	1500
007	BARREN RIVER LAKE	HDD	961	753	549	272	110	6	0	1	33	239	509	823	4256
		CDD	0	0	1	17	127	278	409	364	185	42	2	0	1425
008	BAXTER	HDD	964	772	601	331	140	12	0	3	50	307	574	850	4604
		CDD	0	0	0	4	75	188	310	277	126	25	0	0	1005
009	BEAVER DAM	HDD	973	735	530	250	94	3	0	1	37	240	520	838	4221
		CDD	0	0	1	15	117	272	393	346	172	32	1	0	1349
010	BEREA COLLEGE	HDD	941	727	540	264	108	8	0	4	46	262	518	813	4231
		CDD	0	0	1	14	106	230	334	292	142	29	2	0	1150
012	BERNHEIM FOREST	HDD	967	741	533	265	100	6	0	2	31	236	515	829	4225
		CDD	0	0	1	14	114	255	383	348	174	35	2	0	1326
019	BOWLING GREEN FAA AP	HDD	956	740	535	261	99	4	0	2	40	251	527	828	4243
		CDD	0	0	1	15	122	283	417	366	178	31	0	0	1413
020	BRADFORDSVILLE	HDD	997	789	605	325	139	8	0	3	50	300	567	865	4648
		CDD	0	0	0	6	92	224	354	306	141	27	1	0	1151
028	CAMPBELLSVILLE 2 SSW	HDD	957	737	537	271	114	8	0	3	42	252	518	810	4249
		CDD	0	0	0	9	107	242	352	310	148	33	1	0	1202
032	CARROLLTON LOCK 1	HDD	999	778	579	290	118	7	0	3	33	251	520	854	4432
		CDD	0	0	0	7	103	236	367	331	170	39	1	0	1254
039	CINCINNATI COVINGTON AP	HDD*	1110	881	670	368	130	19	1	3	68	319	626	953	5148
		CDD*	0	0	3	13	73	215	335	282	126	16	1	0	1064
040	CRAB ORCHARD 6 N	HDD	946	761	545	284	130	11	0	5	55	288	533	842	4400
		CDD	0	0	1	10	97	213	312	271	126	24	2	0	1056
043	CYNTHIANA	HDD	1075	861	671	376	162	17	0	5	57	333	615	930	5102
		CDD	0	0	0	5	86	210	328	285	120	21	0	0	1055
044	DANVILLE	HDD	1026	820	627	330	149	17	0	6	52	292	570	887	4776
		CDD	0	0	0	7	97	216	336	303	147	32	0	0	1138
046	DIX DAM	HDD	950	740	550	270	111	4	0	1	33	240	499	810	4208
		CDD	0	0	1	14	115	251	375	337	172	40	1	0	1306
050	EASTERN KENTUCKY UNIV	HDD	1036	820	628	327	136	12	0	5	52	296	567	890	4769
		CDD	0	0	0	6	95	214	338	289	128	24	0	0	1094
052	ELIZABETHTOWN WP 2	HDD	1064	831	653	348	158	10	0	2	41	296	592	902	4897
		CDD	0	0	0	4	71	206	332	302	153	23	0	0	1091
055	FALMOUTH	HDD	1118	881	702	389	179	22	1	11	59	347	632	967	5308
		CDD	0	0	0	4	78	191	305	275	107	14	0	0	974
056	FARMERS 2 S	HDD	1033	829	639	343	144	16	0	6	48	309	573	881	4821
		CDD	0	0	0	8	85	207	328	290	121	25	0	0	1064
061	FRANKFORT LOCK 4	HDD	1077	871	684	377	166	20	0	5	60	327	611	931	5129
		CDD	0	0	0	2	71	189	316	279	118	19	0	0	994
069	GILBERTSVILLE KY DAM	HDD	894	676	465	184	52	1	0	0	14	162	441	773	3662
		CDD	0	0	5	27	171	383	522	469	259	62	6	0	1904
070	GLASGOW	HDD	897	677	479	218	79	3	0	1	28	221	488	771	3862
		CDD	0	0	5	21	141	300	421	375	199	45	2	0	1509
072	GOLDEN POND 8 N	HDD	958	732	517	239	81	3	0	1	28	225	502	823	4109
		CDD	0	0	2	19	127	285	426	371	193	41	1	0	1465
073	GRAY HAWK	HDD	1085	877	710	423	202	34	4	11	86	395	661	960	5448
		CDD	0	0	0	1	48	131	239	203	75	14	0	0	711
074	GRAYSON 3 SW	HDD	1066	870	696	399	183	22	0	9	69	357	631	926	5228
		CDD	0	0	0	2	60	160	282	252	92	17	0	0	865
076	GREENSBURG	HDD	978	771	576	297	118	6	0	2	39	274	543	847	4451
		CDD	0	0	0	11	111	258	392	343	164	32	1	0	1312
078	HARDINSBURG	HDD	1015	764	556	267	101	7	0	2	37	249	543	864	4405
		CDD	0	0	3	15	115	245	365	324	157	32	1	0	1257
083	HEIDELBERG	HDD	1034	832	654	374	166	18	0	6	55	324	597	898	4958
		CDD	0	0	0	3	68	167	292	261	113	18	0	0	922
084	HENDERSON 7 SSW	HDD	1005	771	556	264	98	4	0	2	34	234	531	875	4374
		CDD	0	0	0	15	123	276	389	341	165	34	1	0	1344
087	HODGENVILLE-LINCOLN NP	HDD	964	731	531	265	111	6	0	2	44	256	529	841	4280
		CDD	0	0	0	12	99	224	344	306	153	32	1	0	1171
088	HOPKINSVILLE	HDD	988	766	543	255	93	4	0	1	36	242	517	853	4298
		CDD	0	0	2	23	127	286	410	364	179	40	2	0	1433



United States Climate Normals, 1971-2000
Degree Day Computation Methodology

National Climatic Data Center/NESDIS/NOAA
January 15, 2003

The 1971-2000 degree day normals are computed using a new methodology. Previously, degree days were computed using the Thom rational conversion formulae (Thom 1954, 1966). The Thom method allows a monthly degree day total to be estimated from input average temperature means and standard deviations.

For the 1971-2000 normals, degree day totals were computed in *two* distinct ways. For stations that are not first-order National Weather Service locations, the rational conversion formulae developed by Thom (1954, 1966) was *modified* by using inputs of daily spline-fit (rather than monthly) means and standard deviations of average temperature. This modification improved consistency of the estimated degree day totals by eliminating month-by-month 'steps' in the inputs. For first-order stations, where daily data sets are largely devoid of missing values, monthly degree day totals were derived directly from daily values.

Computation of First-Order Monthly Degree Day Totals:

Based on comments from the climate research community and energy groups, monthly degree day totals were derived directly from daily average temperature values for first-order sites for the 1971-2000 period. Appendix A lists the first-order stations subjected to direct computation. These stations are also identified with an asterisk '*' in the HDD/CDD section of the monthly normals (CLIM81) PDF publication.

The computation of first-order monthly degree day totals began with the computation of average daily temperatures for the 1971-2000 period (with a precision of 0.5 degree Fahrenheit). Daily HDD/CDD (base 65) values were then computed with a precision of 0.5. The summation of these daily degree day values yielded 360 monthly totals for the 1971-2000 period. From the respective 30 monthly totals for a given month, the preliminary monthly degree day normal was computed using a simple average.

Monthly average temperature normals were computed based on a sequential record adjusted for inhomogeneities (due to changes in station locations, instrumentation, time of observation, surrounding environment, observing practice, sensor drift, *etc*). Such adjustments yielded a time series and normals representative of the observing practices as of the end of the normals period (*i.e.*, December 2000), since these are the conditions under which future observations will likely be compared. This adjustment was not accounted for in the preliminary monthly degree day normals, so they were subsequently adjusted for compatibility with the monthly average temperatures.

Daily normals of temperature, degree days, and precipitation were interpolating based upon the monthly normals. Each element was interpolated independently using a cubic spline fit function (Greville, 1967). To eliminate discontinuities between December 31 and January 1, the spline interpolation was performed on a series of 24 monthly values (included a repetition of values for the six months preceding and following the twelve monthly values). The resultant smooth curve of daily values for an element averaged or totaled up to the respective monthly normal.

Given the independent computation of each element, adjustments were performed on the daily data to remove spurious inflection points caused by rounding and to ensure adherence to functional relationships among the elements. Adjustments were based upon achieving climatologically reasonable inflection points, daily consistency between elements, monthly consistency between daily and monthly values by element, and close adherence of temperature and degree day values to the formula $T - 65 + H - C = 0$, where T = mean temperature, H = heating degree days, and C = cooling degree days. The preliminary degree day normals were adjusted in the context of these consistency checks to arrive at the final degree day normal for a given month.

In limited cases, preliminary degree day normals, when spline fit, resulted in daily values of 1 that were separated from the major rise and fall of non-zero daily degree day values over the course of a heating/cooling degree day season. These spurious daily degree day values are indicated with a '-99' (or an asterisk in non-digital printouts). Their presence assures consistency between the monthly total and the sum of the daily total (when values are considered equal to 1).

An example of the computation of first-order monthly degree day normals is shown in Table 1. The monthly average temperature values for both Buffalo, New York and Erie, Pennsylvania were adjusted for inhomogeneities, with an average adjustment of +0.1 and +1.0 degrees Fahrenheit, respectively. With positive average temperature adjustments, the expected adjustments to the preliminary monthly degree day normals would be downward for HDD and upward for CDD. This is the case here, as the preliminary HDD annual total of 6697 is adjusted downward by a modest 5 degree days to 6692 at Buffalo, while the preliminary CDD annual total of 539 is adjusted upward just 9 degree days to 548. With a larger average temperature adjustment at Erie, the adjustments to the preliminary degree days are more pronounced, from 6402 downward to 6243 for HDD and from 571 upward to 620 for CDD.

In evaluating the degree day adjustments on a month-by-month basis, it should be noted that the magnitude of the average temperature adjustment generally, but not strictly, correlates to the magnitude of the degree day adjustment. The variability is due to the constraint of assuring daily consistency between elements as well as day-to-day consistency within elements in the daily normals.

The computation of degree days for first-order stations for the 1971-2000 normals brings together the benefits of direct computation of values (versus estimation) with the need for degree day totals that are consistent with the homogeneity-adjusted monthly

temperatures. As data sets are refined and improved, there is an expectation that homogeneity adjustments will be performed on the daily data itself, eliminating the two-step process inherent in the present methodology.

Table 1. Degree Day Computations for Buffalo, NY and Erie, PA.

Normals Computations, 1971-2000
BUFFALO NIAGARA INTL AP New York COOP: 301012

Month	UnrndMean	AdjustMean	MeanDiff	Heating Degree Days Computed	Adjustment	Official
01	24.4	24.5	-0.1	1257	-1	1256
02	25.8	25.9	-0.1	1108	2	1110
03	34.2	34.3	-0.1	954	7	961
04	45.3	45.3	0.0	595	-1	594
05	57.2	57.0	0.2	268	0	268
06	66.1	65.8	0.3	66	-1	65
07	71.1	70.8	0.3	9	-1	8
08	69.4	69.1	0.3	22	-1	21
09	61.7	61.5	0.2	150	-1	149
10	50.9	50.7	0.2	440	2	442
11	40.4	40.2	0.2	739	-2	737
12	29.9	29.8	0.1	1089	-8	1081
Annual			0.1	6697	-0.4	6692

Month	UnrndMean	AdjustMean	MeanDiff	Cooling Degree Days Computed	Adjustment	Official
01	24.4	24.5	-0.1	0	0	0
02	25.8	25.9	-0.1	0	0	0
03	34.2	34.3	-0.1	0	0	0
04	45.3	45.3	0.0	3	1	4
05	57.2	57.0	0.2	27	1	28
06	66.1	65.8	0.3	100	1	101
07	71.1	70.8	0.3	199	4	203
08	69.4	69.1	0.3	156	2	158
09	61.7	61.5	0.2	50	0	50
10	50.9	50.7	0.2	4	0	4
11	40.4	40.2	0.2	0	0	0
12	29.9	29.8	0.1	0	0	0
Annual			0.1	539	0.8	548

Normals Computations, 1971-2000
ERIE INTERNATIONAL AP Pennsylvania COOP: 362682

Month	UnrndMean	AdjustMean	MeanDiff	Heating Degree Days Computed	Adjustment	Official
01	26.1	26.9	0.8	1207	-11	1196
02	27.2	28.2	1.0	1069	-23	1046
03	35.4	36.5	1.1	919	-19	900
04	45.6	46.8	1.2	585	-18	567
05	56.8	58.1	1.3	285	-25	260
06	66.0	67.4	1.4	75	-17	58
07	70.8	72.1	1.3	13	-9	4
08	69.8	70.9	1.1	18	-3	15
09	63.0	64.0	1.0	123	-7	116
10	52.4	53.3	0.9	397	-11	386
11	42.2	42.9	0.7	686	-7	679
12	32.0	32.7	0.7	1025	-9	1016
Annual			1.0	6402	-13.3	6243

Month	UnrndMean	AdjustMean	MeanDiff	Cooling Degree Days Computed	Adjustment	Official
01	26.1	26.9	0.8	0	0	0
02	27.2	28.2	1.0	0	0	0
03	35.4	36.5	1.1	1	0	1
04	45.6	46.8	1.2	5	0	5
05	56.8	58.1	1.3	31	-1	30
06	66.0	67.4	1.4	106	9	115
07	70.8	72.1	1.3	194	14	208
08	69.8	70.9	1.1	165	18	183
09	63.0	64.0	1.0	63	8	71
10	52.4	53.3	0.9	6	1	7
11	42.2	42.9	0.7	0	0	0
12	32.0	32.7	0.7	0	0	0
Annual			1.0	571	4.1	620

References:

Greville, T.N.E., 1967: "Spline functions, interpolation, and numerical quadrature," Mathematical Methods for Digital Computers, Vol. II, A. Ralston and H.S. Wilf (eds.), pp.156-168, Wiley, New York.

Thom, H.C.S., 1954: "The rational relationship between heating degree days and temperature," Monthly Weather Review, Vol. 82, pp. 1-6.

Thom, H.C.S., 1966: "Normal degree days above any base by the universal truncation coefficient," Monthly Weather Review, Vol. 94, pp. 461-465.

Appendix A. Stations with Directly Computed Monthly Degree Day Totals

(COOP ID/ WBAN ID/ Name / State Abbreviation)

010831 13876 BIRMINGHAM INTL AP AL
014064 03856 HUNTSVILLE INTL AP AL
015478 13894 MOBILE RGNL AP AL
015550 13895 MONTGOMERY DANNELLY AP AL
023010 03103 FLAGSTAFF PULLIAM AP AZ
026481 23183 PHOENIX SKY HRBR INTL AP AZ
028820 23160 TUCSON INTL AP AZ
029439 23194 WINSLOW AP AZ
032574 13964 FORT SMITH RGNL AP AR
034248 13963 LITTLE ROCK ADAMS AP AR
040442 23155 BAKERSFIELD KERN CO AP CA
040822 23157 BISHOP AP CA
043257 93193 FRESNO YOSEMITE INTL CA
045085 23129 LONG BEACH AP CA
045114 23174 LOS ANGELES INTL AP CA
045115 93134 LOS ANGELES DOWNTOWN USC CA
047740 23188 SAN DIEGO LINDBERGH AP CA
047769 23234 SAN FRANCISCO INTL AP CA
047946 23273 SANTA MARIA AP CA
048558 23237 STOCKTON AP CA
050130 23061 ALAMOSA BERGMAN FIELD CO
051778 93037 COLORADO SPRINGS MNPL AP CO
053488 23066 GRAND JUNCTION WALKER AP CO
056740 93058 PUEBLO AP CO
060806 94702 BRIDGEPORT SIKORSKY AP CT
063456 14740 HARTFORD BRADLEY INTL AP CT
079595 13781 WILMINGTON NEW CASTLE AP DE
082158 12834 DAYTONA BEACH INTL AP FL
083186 12835 FORT MYERS (PAGE AP) FL
083326 12816 GAINESVILLE RGNL AP FL
084358 13889 JACKSONVILLE INTL AP FL
084570 12836 KEY WEST INTL AP FL
085663 12839 MIAMI INTL AP FL
086997 13899 PENSACOLA RGNL AP FL
088758 93805 TALLAHASSEE MUNICIPAL AP FL
088788 12842 TAMPA INTL AP FL
089525 12844 WEST PALM BEACH INTL AP FL
090435 13873 ATHENS BEN EPPS AP GA
090451 13874 ATLANTA HARTSFIELD AP GA
090495 03820 AUGUSTA BUSH FIELD AP GA
092166 93842 COLUMBUS METRO AP GA
095443 03813 MACON MIDDLE GA RGNL AP GA
097847 03822 SAVANNAH MUNICIPAL AP GA
101022 24131 BOISE AIR TERMINAL ID
105241 24149 LEWISTON AP ID
107211 24156 POCATELLO RGNL AP ID
111549 94846 CHICAGO OHARE INTL AP IL
115751 14923 MOLINE QUAD CITY AP IL
116711 14842 PEORIA GTR PEORIA AP IL
117382 94822 ROCKFORD AP IL
118179 93822 SPRINGFIELD CAPITAL AP IL
122738 93817 EVANSVILLE INTL AP IN
123037 14827 FORT WAYNE BAER AP IN
124259 93819 INDIANAPOLIS INTL AP IN
128187 14848 SOUTH BEND RGNL AP IN
132203 14933 DES MOINES AP IA
132367 94908 DUBUQUE AP IA
137708 14943 SIOUX CITY AP IA
138706 94910 WATERLOO MUNICIPAL AP IA
141767 13984 CONCORDIA BLOSSER AP KS
142164 13985 DODGE CITY RGNL AP KS
143153 23065 GOODLAND RENNER AP KS
148167 13996 TOPEKA BILLARD MNCPL AP KS
148830 03928 WICHITA MID-CONTINENT AP KS
151855 93814 CINCINNATI COVINGTON AP KY
154746 93820 LEXINGTON BLUE GRASS AP KY
154954 93821 LOUISVILLE STANDIFORD AP KY
156110 03816 PADUCAH BARKLEY RGNL AP KY
160549 13970 BATON ROUGE RYAN AP LA
165078 03937 LAKE CHARLES AP LA
166660 12916 NEW ORLEANS INTL AP LA
168440 13957 SHREVEPORT AP LA
171175 14607 CARIBOU MUNICIPAL AP ME
176905 14764 PORTLAND INTL AP ME
180465 93721 BALTIMORE-WASHINGTON AP MD
190736 14753 BLUE HILL OBS MILTON MA
190770 14739 BOSTON LOGAN INTL AP MA
200164 94849 ALPENA COLLINS AP MI
202103 94847 DETROIT METRO AP MI
202846 14826 FLINT BISHOP INTL AP MI
203333 94860 GRAND RAPIDS INTL AP MI
203936 94814 HOUGHTON LAKE ROSCOMMON MI
204641 14836 LANSING CAPITAL CITY AP MI
205712 14840 MUSKEGON COUNTY AP MI
207366 14847 SAULT STE MARIE AP MI
212248 14913 DULUTH INTL AP MN
214026 14918 INTL FALLS AP MN
215435 14922 MINNEAPOLIS INTL AP MN
217294 14926 ST CLOUD MUNICIPAL AP MN
224472 03940 JACKSON THOMPSON AP MS
225776 13865 MERIDIAN KEY AP MS
229003 93862 TUPELO RGNL AP MS
231791 03945 COLUMBIA RGNL AP MO
237455 13994 ST LOUIS INTL AP MO
237976 13995 SPRINGFIELD REG AP MO
240807 24033 BILLINGS INTL AP MT
243558 94008 GLASGOW INTL AP MT
243751 24143 GREAT FALLS INTL AP MT
243996 94012 HAVRE CITY CO AP MT
244055 24144 HELENA AP MT
244558 24146 KALISPELL GLACIER PK AP MT
245745 24153 MISSOULA INTL AP MT
253395 14935 GRAND ISLAND CTR NE AP NE
254795 14939 LINCOLN AP NE
255995 14941 NORFOLK AP NE
256065 24023 NORTH PLATTE RGNL AP NE
256255 14942 OMAHA EPPLEY AP NE
257665 24028 SCOTTSBLUFF AP NE
258760 24032 VALENTINE MILLER AP NE
262631 23154 ELY NV
264436 23169 LAS VEGAS AP NV
266779 23185 RENO CANNON INTL AP NV
269171 24128 WINNEMUCCA MUNICIPAL AP NV
271683 14745 CONCORD MUNICIPAL AP NH
280311 93730 ATLANTIC CITY AP NJ
286026 14734 NEWARK INTL AP NJ
290234 23050 ALBUQUERQUE INTL AP NM
300042 14735 ALBANY INTL AP NY
300687 04725 BINGHAMTON BROOME CO AP NY
301012 14733 BUFFALO NIAGARA INTL NY
305801 94728 NEW YORK CITY CENTRAL PK NY
305803 94789 NEW YORK JFK INTL AP NY
305811 14732 NEW YORK LA GUARDIA AP NY
307167 14768 ROCHESTER MONROE CO AP NY
308383 14771 SYRACUSE HANCOCK INTL AP NY
310300 03812 ASHEVILLE RGNL AP NC
311458 93729 CAPE HATTERAS NWS BLDG NC
311690 13881 CHARLOTTE DGLAS INTL AP NC
313630 13723 GREENSBORO RGNL AP NC
317069 13722 RALEIGH DURHAM AP NC
319457 13748 WILMINGTON NEW HANVR AP NC
320819 24011 BISMARCK MUNICIPAL AP ND

322859	14914	FARGO HECTOR AP	ND
323616	14916	GRAND FORKS INTL AP	ND
329425	94014	WILLISTON SLOULIN AP	ND
330058	14895	AKRON CANTON AP	OH
331657	14820	CLEVELAND HOPKNS INTL AP	OH
331786	14821	COLUMBUS INTL AP	OH
332075	93815	DAYTON INTL AP	OH
334865	14891	MANSFIELD LAHM AP	OH
338357	94830	TOLEDO EXPRESS AP	OH
339406	14852	YOUNGSTOWN MUNICIPAL AP	OH
346661	13967	OKLAHOMA CITY AP	OK
348992	13968	TULSA INTL AP	OK
350328	94224	ASTORIA CLATSOP CO AP	OR
352709	24221	EUGENE MAHLON SWEET AP	OR
355429	24225	MEDFORD AP	OR
356546	24155	PENDLETON MUNICIPAL AP	OR
356751	24229	PORTLAND INTL AP	OR
357500	24232	SALEM MCNARY AP	OR
360106	14737	ALLENTOWN LEHIGH VLY AP	PA
362682	14860	ERIE AP	PA
366889	13739	PHILADELPHIA INTL AP	PA
366993	94823	PITTSBURGH INTL AP	PA
369705	14777	WILKES BRE SCTN AP AVOCA	PA
369728	14778	WILLIAMSPORT LYCOMING AP	PA
376698	14765	PROVIDENCE GREEN AP	RI
381544	13880	CHARLESTON INTL AP	SC
381939	13883	COLUMBIA METRO AP	SC
383747	03870	GRNVL SPART AP GREER	SC
390020	14929	ABERDEEN RGNL AP	SD
394127	14936	HURON AP	SD
396937	24090	RAPID CITY RGNL AP	SD
397667	14944	SIOUX FALLS AP	SD
401094	13877	BRISTOL TRI CITY AP	TN
401656	13882	CHATTANOOGA AP	TN
404950	13891	KNOXVILLE AP	TN
405954	13893	MEMPHIS INTL AP	TN
406402	13897	NASHVILLE INTL AP	TN
406750	03841	OAK RIDGE ATDD	TN
410016	13962	ABILENE MUNICIPAL AP	TX
410211	23047	AMARILLO INTL AP	TX
410428	13958	AUSTIN CITY (CAMP MABRY)	TX
411136	12919	BROWNSVILLE AP	TX
412015	12924	CORPUS CHRISTI INTL AP	TX
412244	13960	DALLAS LOVE AP	TX
412360	22010	DEL RIO INTL AP	TX
412797	23044	EL PASO INTL AP	TX
414300	12960	HOUSTON BUSH INTL AP	TX
415411	23042	LUBBOCK RGNL AP	TX
415890	23023	MIDLAND INTL AP	TX
417174	12917	PORT ARTHUR AP BEAUMONT	TX
417943	23034	SAN ANGELO MATHIS AP	TX
417945	12921	SAN ANTONIO INTL AP	TX
419364	12912	VICTORIA RGNL AP	TX
419419	13959	WACO RGNL AP	TX
419729	13966	WICHITA FALLS SHEPPRD AP	TX
427598	24127	SALT LAKE CITY INTL AP	UT
431081	14742	BURLINGTON INTL AP	VT
445120	13733	LYNCHBURG MUNICIPAL AP	VA
446139	13737	NORFOLK INTL AP	VA
447201	13740	RICHMOND BYRD INTL AP	VA
447285	13741	ROANOKE WOODRUM AP	VA
448903	93738	WASHINGTON DULLES INTL	VA
448906	13743	WASHINGTON REAGAN NTL AP	VA
456114	24227	OLYMPIA AP	WA
456858	94240	QUILLAYUTE AP	WA
457473	24233	SEATTLE TACOMA AP	WA
457938	24157	SPOKANE AP	WA
459465	24243	YAKIMA MUNICIPAL AP	WA
460582	03872	BECKLEY AP	WV
461570	13866	CHARLESTON YEAGER AP	WV
462718	13729	ELKINS AP	WV
464393	03860	HUNTINGTON TRI STATE	WV
473269	14898	GREEN BAY STRBL INTL AP	WI
474370	14920	LA CROSSE MUNICIPAL AP	WI
474961	14837	MADISON DANE CO AP	WI
475479	14839	MILWAUKEE MITCHELL AP	WI
481570	24089	CASPER NATRONA CO AP	WY
481675	24018	CHEYENNE MUNICIPAL AP	WY
485390	24021	LANDER AP	WY
488155	24029	SHERIDAN AP	WY

Greater Cincinnati - Covington, KY - Heating Degree Days
Most Recent 10 Years

NOAA 30 Normal HDD - 1971-2000 = 5148 HDD

Year	HDD	Higher	Lower
1995	5321	Higher	
1996	5632	Higher	
1997	5330	Higher	
1998	4322		Lower
1999	4750		Lower
2000	5187	Higher	
2001	4672		Lower
2002	4940		Lower
2003	5182	Higher	
2004	4847		Lower

Years Higher than NOAA 30 Year Normal = 5

Years Lower than NOAA 30 Year Normal = 5

Data Source: ULH&P Response to AG-DR-01-115 and AG-DR-01-194

Greater Cincinnati - Covington, KY - Heating Degree Days

	30 Year 1971 - 2000 HDD	30 Year 1975 - 2004 HDD	10 Year 1987 - 1996 HDD	10 Year 1988 - 1997 HDD	10 Year 1989 - 1998 HDD	**ULH&P 10 Year 1990 - 1999 HDD**	10 Year 1991 - 2000 HDD	10 Year 1992 - 2001 HDD	10 Year 1993 - 2002 HDD	10 Year 1994 - 2003 HDD	10 Year 1995 - 2004 HDD
1971	4819										
1972	5474										
1973	4784										
1974	4953										
1975	4713	4713									
1976	5522	5522									
1977	5699	5699									
1978	6031	6031									
1979	5670	5670									
1980	5805	5805									
1981	5486	5486									
1982	4854	4854									
1983	5392	5392									
1984	5239	5239									
1985	5126	5126									
1986	4867	4867									
1987	4745	4745	4745								
1988	5418	5418	5418	5418							
1989	5316	5316	5316	5316	5316						
1990	4171	4171	4171	4171	4171	4171					
1991	4581	4581	4581	4581	4581	4581	4581				
1992	4898	4898	4898	4898	4898	4898	4898	4898			
1993	5326	5326	5326	5326	5326	5326	5326	5326	5326		
1994	4939	4939	4939	4939	4939	4939	4939	4939	4939	4939	
1995	5321	5321	5321	5321	5321	5321	5321	5321	5321	5321	5321
1996	5632	5632	5632	5632	5632	5632	5632	5632	5632	5632	5632
1997	5330	5330		5330	5330	5330	5330	5330	5330	5330	5330
1998	4322	4322			4322	4322	4322	4322	4322	4322	4322
1999	4750	4750				4750	4750	4750	4750	4750	4750
2000	5187	5187					5187	5187	5187	5187	5187
2001		4672						4672	4672	4672	4672
2002		4940							4940	4940	4940
2003		5182								5182	5182
2004		4847									4847
Average	**5146**	**5133**	**5035**	**5093**	**4984**	**4927**	**5029**	**5038**	**5042**	**5028**	**5018**

Data Source: ULH&P Response to AG-DR-01-115 and AG-DR-01-194

Exhibit DHBK – 5
Page 1 of 1

CALCULATION OF FORECASTED FIRM TRANSPORTATION GROWTH RATE

Volumes (MCF) (1)	2000	2001	2002	2003	2004
FT - Commercial	146637	152917	156266	174,709	170,295
FT - Industrial	921962	1026726	824796	972,018	1,084,169
FT - Other	127604	118676	135969	141,435	150,709
	1,196,203	1,298,319	1,117,031	1,288,162	1,405,173
Growth Rate		**8.54%**	**-13.96%**	**15.32%**	**9.08%**
Gas Prices (Henry Hub) (2) Average for Year ($/MCF)	$4.31	$3.96	$3.36	$5.50	$5.91
Growth Rate		**-8.12%**	**-15.15%**	**63.69%**	**7.45%**

Sources:

(1) ULH&P Schedule I-5, Page 1 of 1
(2) Wall Streeet Journal / Haver Analysis - Federal Reserve Bank of St. Louis

CALCULATION OF WEATHER ADJUSTMENT FACTOR FOR HISTORIC TEST YEAR - FIRM TRANSPORTATION VOLUMES

Historic Test Year - November 2003 - October 2004

	Nov-03	Dec-03	Jan-04	Feb-04	Mar-04	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Total
Covington HDD	502	923	1148	895	605	346	67	2	2	12	20	264	4786

	Heating Degree Days	FT Volumes
ULH&P Schedule M-2.2 (Filing)	4950	1,001,111
KyStaff-DR-02-051a - Page 1 of 14	5200	1,027,669
Difference from Filing	250	26,558
MCF / HDD		106.23
Historic Test Year - Nov-03 - Oct-04 (After ULH&P Non-HDD Adjustments)	4786	983,689
30 Year Normal - 1975-2004	5133	1,020,551
HDD Correction to 30 Year Normal		1.0375

Exhibit DHBK – 7
Page 1 of 1

CALCULATION OF FORECASTED FIRM TRANSPORTATION VOLUMES

Volumes (1)	2003	2004	Growth Rate
FT - Commercial	174,709	170,295	
FT - Industrial	972,018	1,084,169	
FT - Other	141,435	150,709	
	1,288,162	1,405,173	9.08%

Historic Test Year ending Oct. 31, 2004 (2)	1,364,056
Weather Normalization Adjustment Factor (3)	1.0375
WN Historic Test Year	1,415,172
Annual Growth Rate	9.08%
23 Month Growth Rate	17.41%
Forecast FT Volume 12 Months ending Sept 30, 2006	1,661,556

Sources:

(1) ULH&P Schedule I-5, Page 1 of 1
(2) ULH&P WPFR-9v, Page 5 of 31
(3) Exhibit DHBK- 7

CALCULATION OF REVENUE IMPACT OF FORECASTED FIRM TRANSPORTATION VOLUMES

LINE NO.	RATE CODE (A)	CLASS / DESCRIPTION (B)	CUSTOMER BILLS (2) (C)	SALES (1) (D)	MOST CURRENT RATES (J)	CURRENT REVENUE LESS GAS COST REVENUE (K)
				(MCF)	($/MCF)	($)
1	FT - LARGE					
2		FIRM TRANSPORTATION - LARGE				
3	CUSTOMER CHARGE:		660		$330.00	217,800
4	COMMODITY CHARGE:					
5	ALL CONSUMPTION			1,661,556	1.7140	2,847,907
6	TOTAL FT - LARGE		660	1,661,556		3,065,707
7	FT REVENUES AS FILED - SCHEDULE M-2.2 PAGE 6 OF 7					1,916,874
8	REVENUE ADJUSTMENT FOR CORRECTED FORECAST FIRM TRANSPORTATION VOLUMES					1,148,833

(1) REFLECTS NORMALIZED VOLUMES - FROM TESTIMONY OF DAVID BROWN KINLOCH.
(2) BASED ON NUMBER OF CUSTOMERS AT END OF HISTORIC TEST YEAR.
- FROM ULH&P RESPONSE TO AG-DR-02-048C(ii), ATTACHMENT, PAGE 1 OF 1.

Office of the Attorney General
Allocation Factors Cost of Service Study
Twelve Months Ended October 31 2004
Case No. 2005-0042

Peak & Average - Peak Day (K203)

Total Annual Mcf 14,326,332
Max Ann. Mcf - Peak Day*366) 104672 * 366= 40,863,900
Load Factor (Ann Mcf / Max Ann Mcf) 35.059%

Class of Service	(1) Annual Usage (2) (Mcf)	(2) System Peak Day (Mcf / Day)(1)	(3) Avg Daily Mcf (Mcf / Day)	(4) Avg Daily Mcf (Ratio)	(5) Excess Daily Mcf (Mcf / Day)	(6) Excess Daily Mcf (Ratio)
Residential	7,363,676.4	69,132.0	20,119.0	51.399%	49,013.0	64.461%
General Service	4,009,881.0	31,918.0	10,956.0	27.990%	20,962.0	27.569%
Firm Transportation	1,661,556.0	10,600.0	4,540.0	11.598%	6,060.0	7.970%
Interruptible Transportation	1,291,218.3		3,528.0	9.013%		0.000%
Total	14,326,331.7	111,650.0	39,143.0	100.000%	76,035.0	100.000%

	(7) Avg Daily Mcf (Ratio)	(8) Weighted Avg. Daily Mcf (Ratio) 35.059%	(9) Excess Daily Mcf (Ratio)	(10) Weighted Excess Daily Mcf (Ratio) 64.941%	(11) Peak & Avg. Demand (Ratio)
Residential	51.399%	18.020%	64.461%	41.862%	59.8816%
General Service	27.990%	9.813%	27.569%	17.904%	27.7166%
Firm Transportation	11.598%	4.066%	7.970%	5.176%	9.2419%
Interruptible Transportation	9.013%	3.160%	0.000%	0.000%	3.1599%
Total	100.000%	35.059%	100.000%	64.941%	100.000%

(1) Includes Firm Customer Coincident Peak Demands
(2) Reflects Forecasted Test Year Volumes.

Peak & Average - Peak Day (Exclud. Firm Trans., Interruptible) (K205)

Total Annual Mcf 11,373,557
Max Ann. Mcf - Peak Day*366) 98285 * 366= 36,984,300
Load Factor (Ann Mcf / Max Ann Mcf) 30.752%

Class of Service	(1) Annual Usage (Mcf) (2)	(2) System Peak Day (Mcf / Day)(1)	(3) Avg Daily Mcf (Mcf / Day)	(4) Avg Daily Mcf (Ratio)	(5) Excess Daily Mcf (Mcf / Day)	(6) Excess Daily Mcf (Ratio)
Residential	7,363,676.4	69,132.0	20,119.0	64.743%	49,013.0	70.044%
General Service	4,009,881.0	31,918.0	10,956.0	35.257%	20,962.0	29.956%
Firm Transportation	0.0	0.0	0.0	0.000%	0.0	0.000%
Interruptible Transportation	0.0	0.0	0.0	0.000%	0.0	0.000%
Total	11,373,557.4	101,050.0	31,075.0	100.000%	69,975.0	100.000%

	(7) Avg Daily Mcf (Ratio)	(8) Weighted Avg. Daily Mcf (Ratio) 30.752%	(9) Excess Daily Mcf (Ratio)	(10) Weighted Excess Daily Mcf (Ratio) 69.248%	(11) Peak & Avg. Demand (Ratio)
Residential	64.743%	19.910%	70.044%	48.504%	68.414%
General Service	35.257%	10.842%	29.956%	20.744%	31.586%
Firm Transportation	0.000%	0.000%	0.000%	0.000%	0.000%
Interruptible Transportation	0.000%	0.000%	0.000%	0.000%	0.000%
Total	100.000%	30.752%	100.000%	69.248%	100.000%

(1) Includes Firm Customer Coincident Peak Demands
(2) Reflects Forecasted Test Year Volumes.

Office of the Attorney General
Allocation Factors For Cost of Sevice Study
Twelve Months Ended October 31 2004
Case No. 2005-0042

Volumes by Class at 5133 Degee Days

Degree Days		RS	GS	FT	IT	TOTAL
4950		7,151,018	3,913,164	1,001,111	1,286,076	13,351,369
5200		7,441,535	4,045,291	1,027,669	1,293,101	13,807,596
5133	13,685,327	7,363,676	4,009,881	1,020,551	1,291,218	13,685,327
Projected FT Volume				1,661,556		
Forecasted Test Year Volumes		7,363,676	4,009,881	1,661,556	1,291,218	14,326,332
Ratio to ULH&P Test Year		1.02974	1.02472	1.65971	1.00400	1.07302

Office of the Attorney General
Daily Demand Analysis
For the Twelve Months Ended October 31 2004
Case No. 2005-0042

Rate RS, Residential

Month	Days	ULH&P System Peak Day	Monthly Mcf (1)	AG Adjusted Monthly Mcf	Avg Daily Usage	ULH&P Coin Peak Day L. F.	Coin Peak Day Demand	ULH&P Diversified Class Peak Day L. F.	Class Max. Non-Coin Peak Day Dem	ULH&P Non-Coin Class Peak Day L. F.	ULH&P Non-Coin Class Peak Day Dem
Nov 03	30	11/24/03	509,112	524,252	17,475	47.2792	36,961	47.2792	36,961	43.8331	39,867
Dec	31	12/17/03	1,013,495	1,043,635	33,666	76.2002	44,181	73.9076	45,551	68.4844	49,159
Jan 04	31	01/30/04	1,401,049	1,442,714	46,539	67.3188	69,132	67.3188	69,132	63.8448	72,894
Feb	29	02/15/04	1,366,140	1,406,767	48,509	74.8531	64,806	74.0695	65,491	67.2588	72,123
Mar	31	03/21/04	1,064,463	1,096,118	35,359	53.8938	65,609	53.8938	65,609	51.5904	68,538
Apr	30	04/13/04	666,408	686,226	22,874	36.8630	62,051	36.8630	62,051	34.7373	65,849
May	31	05/03/04	318,458	327,928	10,578	29.5906	35,748	28.1761	37,542	24.5886	43,020
Jun	30	06/03/04	182,258	187,678	6,256	105.4067	5,935	81.5518	7,671	46.8184	13,362
Jul	31	07/27/04	139,240	143,381	4,625	98.6925	4,686	87.4353	5,290	50.9355	9,080
Aug	31	08/10/04	125,500	129,232	4,169	96.5794	4,317	85.3919	4,882	53.4808	7,795
Sept	30	09/16/04	136,854	140,924	4,697	106.5168	4,410	83.7900	5,606	49.2420	9,539
Oct	31	10/16/04	228,041	234,823	7,575	37.0779	20,430	37.0779	20,430	33.4068	22,675
			7,151,018	7,363,676			69,132				

Rate GS, General Service

Month	Days	ULH&P System Peak Day	Monthly Mcf (1)	AG Adjusted Monthly Mcf	Avg Daily Usage	ULH&P Coin Peak Day L. F.	Coin Peak Day Demand	ULH&P Diversified Class Peak Day L. F.	Class Max. Non-Coin Peak Day Dem	ULH&P Non-Coin Class Peak Day L. F.	ULH&P Non-Coin Class Peak Day Dem
Nov 03	30	11/24/03	284,904	291,946	9,732	55.1877	17,634	55.1877	17,634	45.8143	21,242
Dec	31	12/17/03	558,079	571,872	18,447	76.0204	24,266	74.4302	24,784	64.6136	28,550
Jan 04	31	01/30/04	711,438	729,022	23,517	73.6790	31,918	73.6790	31,918	56.1193	41,905
Feb	29	02/15/04	692,060	709,165	24,454	77.7636	31,447	71.8911	34,015	59.5663	41,053
Mar	31	03/21/04	571,401	585,524	18,888	62.1461	30,393	60.7139	31,110	51.4218	36,732
Apr	30	04/13/04	351,402	360,087	12,003	45.7912	26,212	45.7912	26,212	37.3689	32,120
May	31	05/03/04	180,683	185,149	5,973	51.1268	11,683	51.1268	11,683	41.3593	14,442
Jun	30	06/03/04	119,604	122,560	4,085	86.2175	4,738	84.9667	4,808	66.4462	6,148
Jul	31	07/27/04	96,896	99,291	3,203	82.1905	3,897	81.7396	3,919	64.9885	4,929
Aug	31	08/10/04	92,226	94,505	3,049	90.1059	3,384	84.6322	3,603	66.8755	4,559
Sept	30	09/16/04	105,434	108,040	3,601	93.0043	3,872	71.7740	5,017	57.4480	6,268
Oct	31	10/16/04	157,537	161,431	5,207	70.0870	7,429	65.1603	7,991	44.9583	11,582
			3,921,664	4,018,591							

(1) Mcf Sales for the Forecasted Test Period - 12 months Ending September 2006

Office of the Attorney General
Daily Demand Analysis
For the Twelve Months Ended October 31 2004
Case No. 2005-0042

Rate FT, Firm Transportation

Month	Days	ULH&P System Peak Day	Monthly Mcf (1)	AG Adjusted Monthly Mcf	Avg Daily Usage	ULH&P Coin Peak Day L. F.	Coin Peak Day Demand	ULH&P Diversified Class Peak Day L. F.	Class Max. Non-Coin Peak Day Dem	ULH&P Non-Coin Class Peak Day L. F.	ULH&P Non-Coin Class Peak Day Dem
Nov 03	30	11/24/03	75,230	124,860	4,162	67.3984	6,175	67.3984	6,175	63.9632	6,507
Dec	31	12/17/03	126,188	209,436	6,756	87.1881	7,749	82.6827	8,171	70.9177	9,527
Jan 04	31	01/30/04	160,580	266,517	8,597	81.1051	10,600	81.1051	10,600	75.2019	11,432
Feb	29	02/15/04	162,172	269,159	9,281	93.1193	9,967	84.6689	10,962	78.2121	11,866
Mar	31	03/21/04	132,602	220,081	7,099	110.5667	6,421	72.5634	9,783	65.7954	10,790
Apr	30	04/13/04	90,510	150,221	5,007	89.3599	5,603	80.7602	6,200	71.1516	7,037
May	31	05/03/04	54,904	91,125	2,940	91.9543	3,197	88.0733	3,338	73.0683	4,024
Jun	30	06/03/04	39,977	66,350	2,212	90.5605	2,443	90.1250	2,454	83.1906	2,659
Jul	31	07/27/04	37,182	61,711	1,991	93.2997	2,134	85.9154	2,317	77.5171	2,568
Aug	31	08/10/04	35,725	59,293	1,913	95.2934	2,007	82.7605	2,311	77.8689	2,457
Sept	30	09/16/04	37,199	61,740	2,058	108.5803	1,895	84.4813	2,436	76.2375	2,699
Oct	31	10/16/04	48,842	81,064	2,615	87.5050	2,988	83.6844	3,125	73.4405	3,561
			1,001,111	1,661,556							

Rate IT, Interruptibile Transportation

Month	Days	ULH&P System Peak Day	Monthly Mcf (1)	AG Adjusted Monthly Mcf	Avg Daily Usage	ULH&P Coin Peak Day L. F.	Coin Peak Day Demand	ULH&P Diversified Class Peak Day L. F.	Class Max. Non-Coin Peak Day Dem	ULH&P Non-Coin Class Peak Day L. F.	ULH&P Non-Coin Class Peak Day Dem
Nov 03	30	11/24/03	108,387	108,820	3,627	86.9008	4,174	73.3916	4,942	53.6166	6,765
Dec	31	12/17/03	119,720	120,199	3,877	85.2639	4,547	71.9445	5,389	56.4115	6,873
Jan 04	31	01/30/04	123,003	123,495	3,984	89.6509	4,444	82.5785	4,825	72.8399	5,470
Feb	29	02/15/04	125,515	126,017	4,345	91.8338	4,731	83.4682	5,206	74.0218	5,870
Mar	31	03/21/04	118,136	118,608	3,826	95.3786	4,011	76.3041	5,014	73.0241	5,239
Apr	30	04/13/04	112,790	113,241	3,775	84.8551	4,449	78.3557	4,818	62.3387	6,056
May	31	05/03/04	100,833	101,236	3,266	75.5532	4,323	74.6205	4,377	58.2133	5,610
Jun	30	06/03/04	95,952	96,336	3,211	93.6256	3,430	82.3914	3,897	61.6201	5,211
Jul	31	07/27/04	94,367	94,744	3,056	81.6738	3,742	73.7499	4,144	58.1656	5,254
Aug	31	08/10/04	95,678	96,061	3,099	76.2961	4,062	76.2961	4,062	59.4218	5,215
Sept	30	09/16/04	97,054	97,442	3,248	90.0489	3,607	73.5741	4,415	59.5279	5,456
Oct	31	10/16/04	94,641	95,019	3,065	115.7745	2,647	75.8297	4,042	57.4595	5,334
			1,286,076	1,291,218							

(1) Mcf Sales for the Forecasted Test Period - 12 months Ending September 2006

Office of the Attorney General
Daily Demand Analysis
For the Twelve Months Ended October 31 2004
Case No. 2005-0042

Month	Days	ULH&P System Peak Day	Monthly Mcf (1)	Monthly Mcf (1)	Avg Daily Usage	ULH&P Coin Peak Day L. F.	Coin Peak Day Demand	ULH&P Diversified Class Peak Day L. F.	Class Max. Non-Coin Peak Day Dem	ULH&P Non-Coin Class Peak Day L. F.	ULH&P Non-Coin Class Peak Day Dem
Total											
Nov 03	30	11/24/03	977,633	1,049,878	34,996		64,944		65,712		74,381
Dec	31	12/17/03	1,817,482	1,945,141	62,746		80,743		83,895		94,109
Jan 04	31	01/30/04	2,396,070	2,561,747	82,637		116,094		116,475		131,701
Feb	29	02/15/04	2,345,887	2,511,107	86,589		110,951		115,674		130,912
Mar	31	03/21/04	1,886,602	2,020,331	65,172		106,434		111,516		121,299
Apr	30	04/13/04	1,221,110	1,309,774	43,659		98,315		99,281		111,062
May	31	05/03/04	654,878	705,438	22,757		54,951		56,940		67,096
Jun	30	06/03/04	437,791	472,924	15,764		16,546		18,830		27,380
Jul	31	07/27/04	367,685	399,127	12,875		14,459		15,670		21,831
Aug	31	08/10/04	349,129	379,091	12,230		13,770		14,858		20,026
Sept	30	09/16/04	376,541	408,145	13,604		13,784		17,474		23,962
Oct	31	10/16/04	529,061	572,336	18,462		33,494		35,588		43,152
			13,359,869	14,335,042							

(1) Mcf Sales for the Forecasted Test Period - 12 months Ending September 2006

Office of the Attorney General
Allocation Factors Cost of Service Study
House Regulators and Installations (Account 2830, 2840)
For the Period Ended October 2004
Case No. 2005-0042

			General Service	
Account 2830	**Total**	**Residential**	**Commercial**	**Industrial**
1" or less Reg. & Relief Valves (R.V.) (100% Res)	1,205,983.81	1,205,983.81		
1 1/4" & 1 1/2" (100% Com)	415,631.91		415,631.91	
2" & 2" Relief Valves (50% Com & 50% Ind)	309,443.33		154,721.67	154,721.67
Greater Than 2" & R. V. (10% Com & 90% Ind)	311,809.30		31,180.93	280,628.37
All Other	10,878.83	5,849.55	2,917.70	2,111.58
	2,253,747.18	1,211,833.36	604,452.21	437,461.62
Account 2840				
Regulator Installations	1,552,615.83	834,841.53	416,501.04	301,273.26
Total Accounts 2830 & 2840	3,806,363.01	2,046,674.89	1,020,953.25	738,734.88
	100.00%	53.77%	26.82%	19.41%

Customers	**Year End Customers**		**Non-Residential Customers**		**Residential Costs**	**Commercial Costs**	**Industrial Costs**	**Total Costs**	**Ratio Alloc (K417)**
RS	83,852		0		2,046,674.89			2,046,675	53.770%
GS-Comm'l	6,058	**GS-Comm&OPA**	6,436	99.52%		1,016,059			
GS-Indust'l	235	**GS-Indust'l**	235	84.23%			622,232		
GS-OPA	378								
Total GS	6,671		6,671					1,638,291	43.041%
FT-Comm'l	17	**FT-Comm&OPA**	24	0.37%		3,789			
FT-Indust'l	31	**FT-Indust'l**	31	11.11%			82,082		
FT-OPA	7								
Total FT	55		55					85,871	2.256%
IT - Com	5	**IT - Comm&OPA**	7	0.11%		1,105			
IT - Indust	13	**IT - Indust**	13	4.66%			34,421		
IT - OPA	2								
Total IT	20		20					35,526	0.933%
Total Customers	90,598		6,746	100.000%	2,046,675	1,020,953	738,735	3,806,363	
Total Commercial and OPA			6,467						
Total Industrial			279						

Exhibit DHBK – 11
Page 1 of 1

Office of the Attorney General
Allocation Factors For Cost of Sevice Study
Twelve Months Ended October 31 2004
Case No. 2005-0042

Total Annual Firm MCF Sales

Rate Class	MCF (a)	Ratio (K201)
RS - Residential	7,363,676.4	56.491%
GS - General Service	4,009,881.0	30.762%
FT - Firm Transportation	1,661,556.0	12.747%
IT - Inter. Transportation	0.0	0.000%
Total	13,035,113.4	100.000%

Peak & Avg. Demand - Peak Day

Rate Class	MCF	Ratio (K203)	MCF	Ratio (K205)
RS - Residential	59.862	59.861%	68.414	68.414%
GS - General Service	27.717	27.717%	31.586	31.586%
FT - Firm Transportation	9.242	9.242%	-	0.000%
IT - Inter. Transportation	3.160	3.160%	-	0.000%
Total	100.000	100.000%	100.000	100.000%

Total Annual MCF Sales

Rate Class	MCF (a)	Ratio (K300)
RS - Residential	7,363,676.4	51.399%
GS - General Service	4,009,881.0	27.990%
FT - Firm Transportation	1,661,556.0	11.598%
IT - Inter. Transportation	1,291,218.3	9.013%
Total	14,326,331.7	100.000%

Total Purchased MCF Sales

Rate Class	MCF (a)	Ratio (K301)
RS - Residential	7,363,676.4	64.744%
GS - General Service	4,009,881.0	35.256%
FT - Firm Transportation	0.0	0.000%
IT - Inter. Transportation	0.0	0.000%
Total	11,373,557.4	100.000%

(a) Forecasted Test Year Volumes

Office of the Attorney General
Allocation Factors For Cost of Sevice Study
Twelve Months Ended October 31 2004
Case No. 2005-0042

Total Customers (K401)

Rate Class	Customers	Ratio (K401)
RS - Residential	83,852	92.554%
GS - General Service	6,671	7.363%
FT - Firm Transportation	55	0.061%
IT - Inter. Transportation	20	0.022%
Total	90,598	100.000%

Weighted Customers - Services

Rate Class	Customers	Weight Fac.	Weighted Customers	Ratio (K403)
RS - Residential	83,852	1.00	83,852	92.130%
GS - General Service	6,671	1.02	6,776	7.445%
FT - Firm Transportation	55	3.20	176	0.193%
IT - Inter. Transportation	20	10.55	211	0.232%
Total	90,598		91,015	100.000%

Customer Accounting Expense Allocation Factor - (K405)

	Act 901	Acct 902	Acct 903	Acct 905	Total	Ratio
Res	88,617	513,116	1,282,491	18,805	1,903,029	91.280%
GS	7,876	46,910	113,264	1,704	169,754	8.142%
FT	54	337	8,367	12	8,770	0.421%
IT	21	151	3,088	4	3,264	0.157%
Total	96,568	560,514	1,407,210	20,525	2,084,817	100.000%

Customer Accounting Uncollectible Expense Allocation Factor - (K406)

	(Acct 904)	Ratio
Res	1,998,071	96.060%
GS	81,959	3.940%
FT	0	0.000%
IT	0	0.000%
Total	2,080,030	100.000%

Customer Service & Information Allocation Factor - (K407)

	Act 907	Acct 908	Acct 909	Acct 910	Total	Ratio
Res	0	60,863	0	73,328	134,191	41.926%
GS	0	5,515	0	87,573	93,088	29.084%
FT	52,766	39	0	20,277	73,082	22.833%
IT	19,449	15	0	242	19,706	6.157%
Total	72,215	66,432	0	181,420	320,067	100.000%

Sales Expense Allocation Factor - (K408)

	Act 911	Acct 912	Acct 913	Total	Ratio
Res	47,201	434	3,542	51,177	91.545%
GS	4,321	40	321	4,682	8.375%
FT	31	0	2	33	0.059%
IT	11	0	1	12	0.021%
				0	
Total	51,564	474	3,866	55,904	100.000%

Office of the Attorney General
Allocation Factors For Cost of Sevice Study
Twelve Months Ended October 31 2004
Case No. 2005-0042

Combined Customer Accounting Expense Allocation Factor - (K409)

	Total	Ratio
Res	4,086,468	89.995%
GS	349,483	7.696%
FT	81,885	1.803%
IT	22,982	0.506%
Total	4,540,818	100.000%

Meter Cost Allocator

Rate Class	Meter Cost Per Study	Ratio (K413)
RS - Residential	3,712,863.54	67.923%
GS - General Service	1,490,411.22	27.265%
FT - Firm Transportation	160,509.02	2.936%
IT - Inter. Transportation	102,550.52	1.876%
Total	5,466,334.30	100.000%

House Regulators & Installations

Rate Class	Cost	Ratio (K417)
RS - Residential	2,046,675	53.770%
GS - General Service	1,638,291	43.041%
FT - Firm Transportation	85,871	2.256%
IT - Inter. Transportation	35,526	0.933%
Total	3,806,363	100.000%

Large Industrial Measuring & Regulating Stations

Rate Class	Mcf Sales	Ratio (K595)
GS - Industrial	463,421	14.721%
FT - Firm Transportation	1,364,056	43.331%
IT - Inter. Transportation	1,320,505	41.948%
Total	3,147,982	100.000%

Combination of Weighted Customer & Demand Allocation Factor

Rate Class	Customers Ratio (K401)	Customer Ratio 22%	Peak & Avg. (Peak Day) Ratio (K203)	Demand Ratio 78%	Customer / Demand Ratio (K415)
RS - Residential	92.554%	0.204	59.881%	0.46707	67.069%
GS - General Service	7.363%	0.016	27.717%	0.21619	23.239%
FT - Firm Transportation	0.061%	0.000	9.242%	0.07209	7.222%
IT - Inter. Transportation	0.022%	0.000	3.160%	0.02465	2.470%
Total	100.000%		100.000%		100.000%

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
SUMMARY OF RESULTS	Schedule 1							
NET INCOME COMPUTATION								
GROSS GAS PLANT IN SERVICE	GP11		277,747,000	202,241,958	55,870,644	14,310,769	5,323,629	277,747,000
TOTAL DEPRECIATION RESERVE	DR11		(87,230,000)	(65,134,472)	(16,386,160)	(4,122,898)	(1,586,470)	(87,230,000)
TOTAL RATE BASE ADJUSTMENTS	RB71		(22,997,020)	(16,091,272)	(5,200,390)	(1,258,500)	(446,858)	(22,997,020)
TOTAL RATE BASE	RB91		167,519,980	121,016,214	34,284,094	8,929,371	3,290,301	167,519,980
CAPITALIZATION ALLOC TO GAS OPER	GCAP		165,719,193	119,715,545	33,916,090	8,832,833	3,254,725	165,719,193
OPERATING EXPENSES								
TOTAL O&M EXPENSE	OM31		111,090,622	74,000,885	35,807,250	913,041	369,446	111,090,622
TOTAL DEPRECIATION EXPENSE	DE41		8,840,365	6,371,444	1,822,437	472,293	174,191	8,840,365
TOTAL OTHER TAX & MISC EXPENSE	L591		3,132,820	2,262,951	642,057	165,919	61,893	3,132,820
TOTAL OP EXP EXC INC & R TAX	OP61		123,063,807	82,635,280	38,271,744	1,551,253	605,530	123,063,807
NET FED INCOME TAX EXP ALLOWABLE	I879		5,568,494	3,220,761	1,752,605	461,104	134,024	5,568,494
NET STATE INCOME TAX EXP ALLOWABLE	J979		1,421,860	821,313	448,132	118,111	34,304	1,421,860
AFUDC OFFSET	LO33	CW29	(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
TOTAL OPERATING EXPENSE	OPEX		129,692,137	86,411,725	40,401,101	2,112,302	767,009	129,692,137
RETURN ON CAPITALIZATION	RC51		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745
TOTAL OTHER OPERATING REVENUES	QO27		(794,792)	(530,297)	(241,785)	(17,112)	(5,598)	(794,792)
TOTAL GAS COST OF SERVICE	CS05		143,459,090	94,916,188	44,274,118	3,175,710	1,093,074	143,459,090
PROPOSED REVENUES	R602		143,459,100	94,916,194	44,274,118	3,175,715	1,093,073	143,459,100
EXCESS REVENUES	XREV		10	6	0	5	(1)	10
TOTAL RETURN EARNED	RETE		14,561,751	9,034,763	4,114,802	1,080,523	331,663	14,561,751
RATE OF RETURN EARNED ON CAP	RORE		0.087870	0.075470	0.121320	0.122330	0.101900	0.08787
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.087870	0.075469	0.121323	0.122330	0.101902	0.08787
RETURN EARNED ON COMMON EQUITY	REOE		0.11200	0.08920	0.17350	0.17530	0.13780	0.11200
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		133,853,135	87,044,527	42,740,480	3,065,707	1,002,421	133,853,135
REVENUE INCREASE JUSTIFIED	RIJD		9,605,955	7,871,661	1,533,638	110,003	90,653	9,605,955
PER UNIT PRES REV	RIJP		0.07176	0.09043	0.03588	0.03588	0.09043	0.07176
REVENUE INCREASE REQUESTED	RIRD		9,605,964	7,871,666	1,533,638	110,008	90,652	9,605,964
PER UNIT PRES REV	RIRP		0.07176	0.09043	0.03588	0.03588	0.09043	0.07176

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
GROSS GAS PLT IN SERVICE	Schedule 2							
PRODUCTION PLANT								
PRODUCTION PLANT	P100	K205	1,966,000	1,345,019	620,981	0	0	1,966,000
PRODUCTION PLANT IN SERVICE	P121		1,966,000	1,345,019	620,981	0	0	1,966,000
TRANSMISSION PLANT								
TRANSMISSION PLANT	T100							
TRANSMISSION PLANT IN SERVICE	T121		0	0	0	0	0	0
TOTAL PROD & TRANS PLANT	PT21		1,966,000	1,345,019	620,981	0	0	1,966,000
DISTRIBUTION PLANT								
SYSTEM M&R - (2780, 2781)	D100	K203	2,681,000	1,605,409	743,093	247,778	84,720	2,681,000
DIST REG - 2782	D102	K203	656,000	392,818	181,824	60,628	20,730	656,000
LARGE IND M&R - (2850, 2851)	D104	K595	469,000	0	69,042	203,222	196,736	469,000
MAINS - (2761, 2762, 2763, 2765, 2767, 2768)	D106	K415	148,473,000	99,579,357	34,503,640	10,722,720	3,667,283	148,473,000
SERVICES - (2801, 2802, 2803, 2804, 2805-2807)	D108	K403	65,600,000	60,437,280	4,883,920	126,608	152,192	65,600,000
MTRS & MTR INST (2810, 2811, 2820, 2821)	D110	K413	17,200,000	11,682,756	4,689,580	504,992	322,672	17,200,000
LAND, R OF W STRUCT & IMPROV, OTH, SL	D112	K203	1,017,000	608,990	281,882	93,991	32,137	1,017,000
HOUSE REG & INSTALL (2830-2831, 2840-2841)	D114	K417	5,771,000	3,103,067	2,483,896	130,194	53,843	5,771,000
GAS DISTRIBUTION - COMPLETED NOT CLASS	D118	K415	22,572,000	15,138,815	5,245,507	1,630,150	557,528	22,572,000
DISTRIBUTION PLANT IN SERVICE	D141		264,439,000	192,548,492	53,082,384	13,720,283	5,087,841	264,439,000
TOTAL TRANS & DIST PLANT	TD21		264,439,000	192,548,492	53,082,384	13,720,283	5,087,841	264,439,000
TOTAL GROSS PTD PLANT	PD21		266,405,000	193,893,511	53,703,365	13,720,283	5,087,841	266,405,000
GENERAL & INTANGIBLE PLANT								
PRODUCTION PLANT	G100	K419	73,000	47,263	25,737	0	0	73,000
PRODUCTION PLANT COMMODITY	G102	K421	75,000	48,558	26,442	0	0	75,000
DISTRIBUTION PLANT	G104	K423	1,181,000	803,930	263,304	79,056	34,710	1,181,000
CUSTOMER ACCOUNTING	G106	K425	558,000	520,022	36,047	1,406	525	558,000
CUSTOMER SERVICE & INFORMATION	G108	K427	105,000	44,022	30,538	23,975	6,465	105,000
SALES	G110	K429	14,000	12,816	1,173	8	3	14,000
GEN & INTANG PLANT IN SERVICE	G121		2,006,000	1,476,611	383,241	104,445	41,703	2,006,000
COMMON & OTHER PLANT								
PRODUCTION PLANT	C100	K419	343,000	222,072	120,928	0	0	343,000
PRODUCTION PLANT COMMODITY	C102	K421	347,000	224,662	122,338	0	0	347,000
DISTRIBUTION PLANT	C104	K423	5,498,000	3,742,599	1,225,779	368,036	161,586	5,498,000
CUSTOMER ACCOUNTING	C106	K425	2,596,000	2,419,316	167,702	6,542	2,440	2,596,000
CUSTOMER SERVICE & INFORMATION	C108	K427	488,000	204,599	141,930	111,425	30,046	488,000
SALES	C110	K429	64,000	58,588	5,361	38	13	64,000
COMMON & OTHER PLT IN SERVICE	C121		9,336,000	6,871,836	1,784,038	486,041	194,085	9,336,000
GROSS GAS PLT IN SERVICE	GP11		277,747,000	202,241,958	55,870,644	14,310,769	5,323,629	277,747,000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
DEPRECIATION RESERVE	Schedule 3							
PRODUCTION PLANT								
PRODUCTION PLANT	P150	K205	1,039,000	710,821	328,179	0	0	1,039,000
TOTAL PROD DEPREC RESERVE	P171		1,039,000	710,821	328,179	0	0	1,039,000
TRANSMISSION PLANT								
TRANSMISSION PLANT	T168							
TOTAL TRANS DEPREC RESERVE	T171		0	0	0	0	0	0
DISTRIBUTION PLANT								
SYSTEM M&R - (2780, 2781)	D150	K203	1,441,000	862,885	399,402	133,177	45,536	1,441,000
DIST REG - 2782	D152	K203	514,000	307,789	142,465	47,504	16,242	514,000
LARGE IND M&R - (2850, 2851)	D154	K595	257,000	0	37,833	111,361	107,806	257,000
MAINS - (2761, 2762, 2763, 2765, 2767, 2768)	D156	K415	41,033,000	27,520,423	9,535,659	2,963,403	1,013,515	41,033,000
SERVICES - (2801, 2802, 2803, 2804, 2805-2807)	D158	K403	24,972,000	23,006,704	1,859,165	48,196	57,935	24,972,000
MTRS & MTR INST (2810, 2811, 2820, 2821)	D160	K413	4,065,000	2,761,071	1,108,322	119,348	76,259	4,065,000
LAND, R OF W STRUCT & IMPROV, OTH, SL	D162	K203	453,000	271,261	125,558	41,866	14,315	453,000
HOUSE REG & INSTALL (2830-2831, 2840-2841)	D164	K417	976,000	524,795	420,080	22,019	9,106	976,000
GAS DISTRIBUTION - RWIP	D168	D149	6,669,000	4,891,712	1,318,995	333,383	124,910	6,669,000
TOTAL DIST DEPREC RESERVE	D191		80,380,000	60,146,640	14,947,479	3,820,257	1,465,624	80,380,000
GENERAL & INTANGIBLE PLANT								
PRODUCTION PLANT	G150	K419	37,000	23,955	13,045	0	0	37,000
PRODUCTION PLANT COMMODITY	G152	K421	37,000	23,955	13,045	0	0	37,000
DISTRIBUTION PLANT	G154	K423	588,000	400,263	131,095	39,361	17,281	588,000
CUSTOMER ACCOUNTING	G156	K425	277,000	258,148	17,894	698	260	277,000
CUSTOMER SERVICE & INFORMATION	G158	K427	52,000	21,801	15,124	11,873	3,202	52,000
SALES	G160	K429	7,000	6,409	586	4	1	7,000
TOTAL GEN DEPREC RESERVE	G171		998,000	734,531	190,789	51,936	20,744	998,000
COMMON & OTHER PLANT								
PRODUCTION PLANT	C150	K419	176,000	113,949	62,051	0	0	176,000
PRODUCTION PLANT COMMODITY	C152	K421	179,000	115,892	63,108	0	0	179,000
DISTRIBUTION PLANT	C154	K423	2,835,000	1,929,841	632,063	189,775	83,321	2,835,000
CUSTOMER ACCOUNTING	C156	K425	1,338,000	1,246,935	86,435	3,372	1,258	1,338,000
CUSTOMER SERVICE & INFORMATION	C158	K427	252,000	105,653	73,292	57,539	15,516	252,000
SALES	C160	K429	33,000	30,210	2,764	19	7	33,000
TOTAL COM & OTHER PLT RESERVE	C171		4,813,000	3,542,480	919,713	250,705	100,102	4,813,000
TOTAL DEPRECIATION RESERVE	DR11		87,230,000	65,134,472	16,386,160	4,122,898	1,586,470	87,230,000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
NET GAS PLANT	Schedule 4							
PRODUCTION PLANT								
PRODUCTION PLANT IN SERVICE	P121		1,966,000	1,345,019	620,981	0	0	1,966,000
TOTAL PROD DEPRC RESERVE	P171		(1,039,000)	(710,821)	(328,179)	0	0	(1,039,000)
NET PRODUCTION PLANT	P221		927,000	634,198	292,802	0	0	927,000
TRANSMISSION PLANT								
TRANSMISSION PLANT IN SERVICE	T121		0	0	0	0	0	0
TOTAL TRANS DEPREC RESERVE	T171		0	0	0	0	0	0
NET TRANSMISSION PLANT	T221		0	0	0	0	0	0
DISTRIBUTION PLANT								
DISTRIBUTION PLANT IN SERVICE	D141		264,439,000	192,548,492	53,082,384	13,720,283	5,087,841	264,439,000
TOTAL DIST DEPREC RESERVE	D191		(80,380,000)	(60,146,640)	(14,947,479)	(3,820,257)	(1,465,624)	(80,380,000)
NET DISTRIBUTION PLANT	D241		184,059,000	132,401,852	38,134,905	9,900,026	3,622,217	184,059,000
NET PTD PALNT	NT31		184,986,000	133,036,050	38,427,707	9,900,026	3,622,217	184,986,000
NET TRANS & DIST PLANT	NT21		184,059,000	132,401,852	38,134,905	9,900,026	3,622,217	184,059,000
GENERAL & INTANGIBLE PLANT								
GEN & INTANG PLANT IN SERVICE	G121		2,006,000	1,476,611	383,241	104,445	41,703	2,006,000
TOTAL GEN & INTG DEPREC RESERVE	G171		(998,000)	(734,531)	(190,789)	(51,936)	(20,744)	(998,000)
NET GENERAL & INTANG PLANT	G221		1,008,000	742,080	192,452	52,509	20,959	1,008,000
COMMON & OTHER PLANT								
COMMON & OTH PLT IN SERVICE	C121		9,336,000	6,871,836	1,784,038	486,041	194,085	9,336,000
TOTAL COM & OTH DEPREC RESERVE	C171		(4,813,000)	(3,542,480)	(919,713)	(250,705)	(100,102)	(4,813,000)
NET COMMON & OTHER PLANT	C221		4,523,000	3,329,356	864,325	235,336	93,983	4,523,000
NET GAS PLANT IN SERVICE	NP21		190,517,000	137,107,486	39,484,484	10,187,871	3,737,159	190,517,000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
RATE BASE	Schedule 5							
RATE BASE ADJUSTMENTS								
SUBTRACTIVE ADJUSTMENTS								
ACCUM DEF INC TAXES (282)								
LIBERALIZED DEPRECIATION	B200	NP29	28,270,453	20,345,115	5,859,051	1,511,621	554,666	28,270,453
OTHER - CIAC, CAP INT	B202	NP29	3,775,446	2,717,038	782,461	201,873	74,074	3,775,446
TOTAL ACCOUNT 282	B221		32,045,899	23,062,153	6,641,512	1,713,494	628,740	32,045,899
ACCUM DEF INC TAXES (283)								
MISC DEFERRALS	B222	K411	(3,017,383)	(2,220,945)	(576,622)	(157,085)	(62,731)	(3,017,383)
UNRECOVERED PURCHASED GAS COST	B224	K301	6,319,819	4,091,704	2,228,115	0	0	6,319,819
TOTAL ACCOUNT 283	B243		3,302,436	1,870,759	1,651,493	(157,085)	(62,731)	3,302,436
OTHER SUBTRACTIVE ADJUSTMENTS								
CUSTOMER ADV FOR CONSTR (ACCT 252)	B244	NP29	2,721,042	1,958,225	563,936	145,494	53,387	2,721,042
ITC (ACCT 255)	B246	NP29	33,782	24,312	7,001	1,806	663	33,782
TOTAL OTHER SUBTRACTIVE ADJS	B285		2,754,824	1,982,537	570,937	147,300	54,050	2,754,824
TOTAL SUBTRACTIVE ADJUSTMENTS	B287		38,103,159	26,915,449	8,863,942	1,703,709	620,059	38,103,159
ADDITIVE ADJUSTMENTS								
ACCUM DEF INC TAXES (190)								
VAC PAY ACC, POST RET, PEN BEN, DEF COMP	V200	K411	2,103,355	1,548,174	401,951	109,501	43,729	2,103,355
TOTAL ACCOUNT 190	V221		2,103,355	1,548,174	401,951	109,501	43,729	2,103,355
OTHER								
OTHER	V233		0	0	0	0	0	0

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
RATE BASE	Schedule 5 2							
CONSTRUCTION WORK IN PROGRESS								
PRODUCTION - CWIP	V234	P129	0	0	0	0	0	0
DISTRIBUTION - CWIP	V236	D149	3,744,000	2,746,224	740,488	187,163	70,125	3,744,000
COMMON - CWIP (GAS)	V238	C129	376,000	276,758	71,850	19,575	7,817	376,000
GENERAL - CWIP	V240	G129	0	0	0	0	0	0
TOTAL RATE BASE CWIP	V255		4,120,000	3,022,982	812,338	206,738	77,942	4,120,000
TOTAL ADDITIVE ADJUSTMENTS	V289		6,223,355	4,571,156	1,214,289	316,239	121,671	6,223,355
NET ORIGINAL COST RATE BASE	RB21		158,637,196	114,763,193	31,834,831	8,800,401	3,238,771	158,637,196
WORKING CAPITAL								
PLANT MATERIALS & SUPPLIES								
GAS ENRICHER LIQUID	W642	K205	677,245	463,330	213,915	0	0	677,245
OTHER SUPPLIES	W644	NP29	232,273	167,157	48,139	12,420	4,557	232,273
TOTAL PLANT MATS. & SUPPLIES	W659		909,518	630,487	262,054	12,420	4,557	909,518
TOTAL MATERIALS & SUPPLIES	W661		909,518	630,487	262,054	12,420	4,557	909,518
PREPAYMENTS								
KY. PSC MAINTENANCE TAX	W674	K901	105,675	68,720	33,743	2,420	792	105,675
TOTAL PREPAYMENTS	W687		105,675	68,720	33,743	2,420	792	105,675
CASH WORKING CAPITAL								
TOTAL GAS, PP & OTHER	W705		0	0	0	0	0	0
AUTO CALC (O&M-GAS COST)/8	W711		2,405,078	1,816,690	428,077	114,130	46,181	2,405,078
TOTAL WORKING CASH	W721		2,405,078	1,816,690	428,077	114,130	46,181	2,405,078
MISCELLANEOUS WORKING CAPITAL								
GAS STORED UNDERGROUND	W730	K205	5,462,513	3,737,124	1,725,389	0	0	5,462,513
TOTAL MISC WORK CAPITAL	W747		5,462,513	3,737,124	1,725,389	0	0	5,462,513
TOTAL WORKING CAPITAL	WC71		8,882,784	6,253,021	2,449,263	128,970	51,530	8,882,784
PRELIMINARY SUMMARY								
TOTAL SUBTRACTIVE ADJUSTMENTS	B287		(38,103,159)	(26,915,449)	(8,863,942)	(1,703,709)	(620,059)	(38,103,159)
TOTAL ADDITIVE ADJUSTMENTS	V289		6,223,355	4,571,156	1,214,289	316,239	121,671	6,223,355
TOTAL WORKING CAPITAL	WC71		8,882,784	6,253,021	2,449,263	128,970	51,530	8,882,784
TOTAL RATE BASE ADJUSTMENTS	RB71		(22,997,020)	(16,091,272)	(5,200,390)	(1,258,500)	(446,858)	(22,997,020)
RATE BASE CALCULATION								
NET GAS PLANT IN SERVICE	NP21		190,517,000	137,107,486	39,484,484	10,187,871	3,737,159	190,517,000
TOTAL RATE BASE ADJUSTMENTS	RB71		(22,997,020)	(16,091,272)	(5,200,390)	(1,258,500)	(446,858)	(22,997,020)
TOTAL RATE BASE	RB91		167,519,980	121,016,214	34,284,094	8,929,371	3,290,301	167,519,980
CAPITALIZATION ALLOC TO GAS OPER	GCAP	RB99	165,719,193	119,715,545	33,916,090	8,832,833	3,254,725	165,719,193
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.0878700000	0.0754690000	0.1213230000	0.1223300000	0.1019020000	0.0878700000
RETURN ON CAPITALIZATION	RC51		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
O&M EXPENSES	Schedule 6							
PRODUCTION O&M								
COMMODITY RELATED O&M								
ANNUALIZED GAS COST - COMMODITY	P300	K301	86,063,889	55,721,204	30,342,685	0	0	86,063,889
PURCHASED GAS & OTHER	P302	K301	359,575	232,803	126,772	0	0	359,575
TOTAL ENERGY RELATED	P341		86,423,464	55,954,007	30,469,457	0	0	86,423,464
DEMAND RELATED PROD O&M								
ANNUALIZED GAS COST - DEMAND	P352	K301	5,786,111	3,746,160	2,039,951	0	0	5,786,111
TOTAL DEMAND RELATED	P391		5,786,111	3,746,160	2,039,951	0	0	5,786,111
OTHER THAN COM/DEM RELATED								
PRODUCTION EXPENSES	P400	K205	59,198	40,500	18,698	0	0	59,198
ELIM OTHER THAN ULH&P PORTION	P402	K205	(5,852)	(4,004)	(1,848)	0	0	(5,852)
TOTAL PROD OTHER THAN COM/DEM	P441		53,346	36,496	16,850	0	0	53,346
TOTAL PRODUCTION O&M	P451		92,262,921	59,736,663	32,526,258	0	0	92,262,921
TRANSMISSION O & M								
TRANSMISSION O & M	T318							
TOTAL TRANSMISSION O & M	T341		0	0	0	0	0	0
DISTRIBUTION O & M								
LOAD DISPATCH, RENTS	D300	K300	465,649	239,339	130,335	54,006	41,969	465,649
MAINS & SERVICES OPER	D302	K667	1,313,352	971,171	248,289	69,516	24,376	1,313,352
M & R STATION	D304	K203	90,071	53,936	24,965	8,324	2,846	90,071
CUSTOMER INST & OTHER	D306	K415	1,855,310	1,244,339	431,155	133,990	45,826	1,855,310
METERS & HOUSE REG	D308	K697	366,859	235,296	115,502	10,103	5,958	366,859
MAINS	D310	K415	1,118,215	749,976	259,862	80,757	27,620	1,118,215
SERVICES	D312	K403	334,969	308,608	24,938	646	777	334,969
SUPV, ENG & OTHER	D314	D249	249,268	179,308	51,646	13,408	4,906	249,268
M & R, INDUSTRIAL	D316	K595	32,898	0	4,844	14,255	13,799	32,898
ELIM OTHER THAN ULH&P PORTION	D318	D149	(297,515)	(218,227)	(58,843)	(14,873)	(5,572)	(297,515)
TOTAL DISTRIBUTION O & M	D341		5,529,076	3,763,746	1,232,693	370,132	162,505	5,529,076
CUSTOMER ACCOUNTING								
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	K405	2,450,027	2,236,384	199,481	10,315	3,847	2,450,027
UNCOLLECTIBLE EXP	C302	K406	1,467,819	1,409,987	57,832	0	0	1,467,819
ANNUALIZED UNCOLL EXP ADJ	C304	K406	168,015	161,395	6,620	0	0	168,015
TOTAL CUSTOMER ACCT EXPENSE	C317		4,085,861	3,807,766	263,933	10,315	3,847	4,085,861

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
O&M EXPENSES	Schedule 6 2							
CUSTOMER SERVICE & INFORMATION								
TOTAL CUST SERVICE & INFO	C320	K407	395,741	165,918	115,097	90,360	24,366	395,741
ELIMIN OTHER THAN ULH&P PORTION	C322	K407	(72,070)	(30,216)	(20,961)	(16,456)	(4,437)	(72,070)
TOTAL CUSTOMER SERV. & INFO.	C331		323,671	135,702	94,136	73,904	19,929	323,671
SALES								
SALES EXPENSE	S300	K408	129,728	118,759	10,865	77	27	129,728
ELIMINATION OF EXPENSE	S302	K408	(50,526)	(46,253)	(4,232)	(30)	(11)	(50,526)
TOTAL SALES EXPENSE	S317		79,202	72,506	6,633	47	16	79,202
ADMINISTRATIVE & GENERAL								
ADMINISTRATIVE & GENERAL								
PRODUCTION PLANT	A300	K302	317,537	205,586	111,951	0	0	317,537
PRODUCTION PLANT COMMODITY	A302	K303	320,522	207,519	113,003	0	0	320,522
DISTRIBUTION PLANT	A304	K304	5,082,252	3,459,591	1,133,088	340,206	149,367	5,082,252
CUSTOMER ACCOUNTING	A306	K305	2,399,290	2,235,995	154,994	6,046	2,255	2,399,290
CUSTOMER SERVICE & INFORMATION	A308	K306	450,962	189,070	131,158	102,968	27,766	450,962
SALES	A310	K307	58,993	54,005	4,941	35	12	58,993
TOT ADMIN & GEN LESS REG EXP	A312		8,629,556	6,351,766	1,649,135	449,255	179,400	8,629,556
RATE CASE EXPENSE	A314	K411	65,000	47,843	12,422	3,384	1,351	65,000
ELIMINATE VARIOUS EXPENSES	A316	K411	(28,622)	(21,067)	(5,470)	(1,490)	(595)	(28,622)
INJURIES & DAMAGES	A318	K411	143,957	105,960	27,510	7,494	2,993	143,957
TOTAL ADMIN. & GENERAL	A337		8,809,891	6,484,502	1,683,597	458,643	183,149	8,809,891
TOTAL O & M EXPENSE	OM31		111,090,622	74,000,885	35,807,250	913,041	369,446	111,090,622

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
DEPRECIATION EXPENSE	Schedule 7							
PRODUCTION DEPRECIATION								
PRODUCTION DEPRECIATION	P460	P229	34,000	23,261	10,739	0	0	34,000
TOTAL PRODUCTION DEPREC EXP.	P481		34,000	23,261	10,739	0	0	34,000
TRANSMISSION DEPRECIATION								
TOTAL TRANSMISSION DEP. EXP.	T481		0	0	0	0	0	0
DISTRIBUTION DEPRECIATION								
DISTRIBUTION DEPRECIATION	D460	D249	8,552,000	6,151,796	1,771,889	460,012	168,303	8,552,000
DISTRIBUTION DEPRECIATION EXP ADJ	D462	D249	(545,635)	(392,497)	(113,050)	(29,350)	(10,738)	(545,635)
TOTAL DIST. DEPREC EXP.	D481		8,006,365	5,759,299	1,658,839	430,662	157,565	8,006,365
GENERAL DEPRECIATION								
GENERAL DEPRECIATION	G460	G229	116,000	85,399	22,147	6,042	2,412	116,000
GENERAL DEPRECIATION EXP ADJ	G476	G229	0	0	0	0	0	0
TOTAL GENERAL DEPREC EXP.	G481		116,000	85,399	22,147	6,042	2,412	116,000
COMMON AND OTHER DEPRECIATION								
COMMON DEPRECIATION	C460	C229	684,000	503,485	130,712	35,589	14,214	684,000
COMMON DEPRECIATION EXP ADJ	C476	C229	0	0	0	0	0	0
TOTAL COM & OTHER DEPREC EXP.	C481		684,000	503,485	130,712	35,589	14,214	684,000
TOTAL DEPRECIATION EXPENSE	DE41		8,840,365	6,371,444	1,822,437	472,293	174,191	8,840,365

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
OTHER TAXES & MISC EXPENSES	Schedule 8							
TAXES OTHER THAN INC & REV								
REAL ESTATE & PROPERTY TAX								
REAL ESTATE & PROPERTY TAX	L500	NP29	2,550,000	1,835,132	528,488	136,349	50,031	2,550,000
ANNUALIZE PROPERTY TAX	L502	NP29	(53,805)	(38,721)	(11,151)	(2,877)	(1,056)	(53,805)
TOTAL REAL EST & PROP TAX	L521		2,496,195	1,796,411	517,337	133,472	48,975	2,496,195
MISCELLANEOUS TAXES								
PAYROLL & HIGHWAY	L560	K411	620,000	456,351	118,482	32,277	12,890	620,000
ANNUALIZED PAYROLL TAXES	L562	K411	(7,248)	(5,335)	(1,385)	(377)	(151)	(7,248)
KYPSC MAINTENANCE ADJ	L564	K901	(454)	(296)	(145)	(10)	(3)	(454)
TOTAL MISCELLANEOUS TAXES	L581		612,298	450,720	116,952	31,890	12,736	612,298
MISCELLANEOUS EXPENSES								
KYPSC ON INCREASE	L560	K901	24,327	15,820	7,768	557	182	24,327
TOTAL MISCELLANEOUS EXPENSES	L581		24,327	15,820	7,768	557	182	24,327
TOTAL OTHER TAX & MISC EXPENSE			3,132,820	2,262,951	642,057	165,919	61,893	3,132,820
PRELIMINARY SUMMARY								
TOTAL O&M EXPENSE	OM31		111,090,622	74,000,885	35,807,250	913,041	369,446	111,090,622
TOTAL DEPRECIATION EXPENSE	DE41		8,840,365	6,371,444	1,822,437	472,293	174,191	8,840,365
TOTAL OTHER TAX & MISC EXPENSE	L591		3,132,820	2,262,951	642,057	165,919	61,893	3,132,820
TOTAL OP EXP EXC IT & REV TAX	OP61		123,063,807	82,635,280	38,271,744	1,551,253	605,530	123,063,807

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON RETURN	Schedule 9							
FEDERAL INCOME TAX DEDUCTIONS								
AUTOMATIC INTEREST CALCULATION								
AUTO PROC INTEREST DED	Y751	RB99	3,864,743	2,791,890	790,958	205,991	75,904	3,864,743
TOTAL INTEREST EXPENSE	Y783		3,864,743	2,791,890	790,958	205,991	75,904	3,864,743
OTHER DEDUCTIONS								
DEPREC EXCESS TAX-BOOK	Y790	DE49	5,393,820	3,887,488	1,111,936	288,138	106,258	5,393,820
AMORT OF LOSS ON REACQUIRED DEBT	Y792	NP29	(96,000)	(69,087)	(19,896)	(5,133)	(1,884)	(96,000)
DEFERRED FUEL COST - PGA	Y794	K301	78,000	50,500	27,500	0	0	78,000
ADJUSTMENT FOR NON JURISDICTIONAL ACCT	Y796	NP29	11,812	8,500	2,448	632	232	11,812
TOTAL OTHER DEDUCTIONS	Y823		5,387,632	3,877,401	1,121,988	283,637	104,606	5,387,632
NET DEDUCTIONS AND ADDITIONS	Y871		9,252,375	6,669,291	1,912,946	489,628	180,510	9,252,375
FEDERAL INCOME TAX ADJUSTMENTS								
FED PROV DEF INC TAX (410.1)								
LIB DEPRECIATION	Z750	DE49	1,731,000	1,247,583	356,846	92,470	34,101	1,731,000
AMORT OF LOSS ON REACQUIRED DEBT	Z752	NP29	(24,000)	(17,272)	(4,974)	(1,283)	(471)	(24,000)
DEFERRED FUEL COST - PGA	Z754	K301	28,000	18,128	9,872	0	0	28,000
TOTAL FED PROV DEF IT (410.1)	Z781		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON RETURN	Schedule 9 2							
FED PROV DEF INC TAX (411.1)								
TOTAL FED PROV DEF IT (411.1)	Z811		0	0	0	0	0	0
PRELIMINARY SUMMARY								
TOTAL FED PROV DEF IT (410.1)	Z781		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000
TOTAL FED PROV DEF IT (411.1)	Z811		0	0	0	0	0	0
TOTAL AMORTIZED ITC & ALLOC SERV CO CR	Z815		0	0	0	0	0	0
TOTAL FEDERAL TAX ADJUSTMENTS	Z863		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000
FEDERAL INCOME TAX COMPUTATION								
RETURN ON CAPITALIZATION	RC51		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745
NET DEDUCTIONS AND ADDITIONS	Y871		(9,252,375)	(6,669,291)	(1,912,946)	(489,628)	(180,510)	(9,252,375)
TOTAL FEDERAL TAX ADJUSTMENTS	Z863		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000
TOTAL STATE PROV DEF IT (410.1 & 411.1)	Z911		437,000	314,605	90,807	23,076	8,512	437,000
AFUDC OFFSET	Z933		(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
BASE FOR FIT COMPUATION	I865		7,119,346	3,662,884	2,583,027	686,989	186,446	7,119,346
FIT FACTOR K190/(1-K190)	I867		0.53846	0.53846	0.53846	0.53846	0.53846	
PRELIM FED INCOME TAX	I869		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
TOTAL FEDERAL TAX ADJUSTMENTS	Z863		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000
NET FED INCOME TAX ALLOWABLE	I879		5,568,494	3,220,761	1,752,605	461,104	134,024	5,568,494

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON RETURN	Schedule 9 3							
FEDERAL INCOME TAX PAYABLE								
PRELIM FEDERAL INCOME TAX	I869		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
NET FED INCOME TAX PAYABLE	I889		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
STATE INCOME TAX								
DEDUCTIONS IN ADDITION TO Y871								
DEDUCTIONS IN ADD TO Y871	Y911		0	0	0	0	0	0
STATE INCOME TAX ADJUSTMENTS								
STATE PROV DEF INC TAX (410.1)								
LIB DEPRECIATION	Z890	DE49	444,000	320,004	91,531	23,718	8,747	444,000
AMORT OF LOSS ON REACQUIRED DEBT	Z892	NP29	(12,000)	(8,636)	(2,487)	(642)	(235)	(12,000)
DEFERRED FUEL COST - PGA	Z896	K301	5,000	3,237	1,763	0	0	5,000
TOT STATE PROV DEF IT (410.1)	Z915		437,000	314,605	90,807	23,076	8,512	437,000
STATE PROV DEF INC TAX (411.1)								
TOT STATE PROV DEF IT (411.1)	Z939		0	0	0	0	0	0
OTHER SIT ADJUSTMENTS								
OTHER SIT ADJUSMENTS	Z941		0	0	0	0	0	0
TOTAL STATE INC TAX ADJUSTMENT	Z951		437,000	314,605	90,807	23,076	8,512	437,000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON RETURN	Schedule 9 4							
SUMMARY OF SIT CALCULATION								
RETURN ON CAPITALIZATION	RC51		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745
NET FED INCOME TAX ALLOWABLE	I879		5,568,494	3,220,761	1,752,605	461,104	134,024	5,568,494
NET FED. DED. AND ADDITIONS	Y871		(9,252,375)	(6,669,291)	(1,912,946)	(489,628)	(180,510)	(9,252,375)
AFUDC OFFSET	Y911		(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
TOTAL STATE INC TAX ADJ	Z957		437,000	314,605	90,807	23,076	8,512	437,000
BASE FOR SIT COMPUTATION	J965		10,952,840	5,635,206	3,973,888	1,056,906	286,840	10,952,840
SIT FACTOR K192/(1-K192)	J967		0.089918	0.089918	0.089918	0.089918	0.089918	0.089918
PRELIMINARY STATE INCOME TAX	J969		984,860	506,708	357,325	95,035	25,792	984,860
TOTAL STATE INCOME TAX ADJ.	Z957		437,000	314,605	90,807	23,076	8,512	437,000
NET STATE INC TAX EXP ALLOWABLE	J979		1,421,860	821,313	448,132	118,111	34,304	1,421,860
STATE INCOME TAX PAYABLE								
PRELIMINARY STATE INCOME TAX	J969		984,860	506,708	357,325	95,035	25,792	984,860
OTHER SIT ADJUSTMENTS	Z955		0	0	0	0	0	0
NET STATE INCOME TAX PAYABLE	J989		984,860	506,708	357,325	95,035	25,792	984,860
COMPOSITE TAX RATE	CTAX		0.40363	0.40363	0.40363	0.40363	0.40363	0.40363

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
COST OF SERVICE COMPUTATION	Schedule 10							
OTHER OPERATING REVENUES								
LATE PAYMENT CHARGES	Q000	K901	0	0	0	0	0	0
MISC SERVICE REVENUE	Q002	K401	19,000	17,585	1,399	12	4	19,000
BAD CHECK & RECONNCTION CHARGES	Q004	K401	29,849	27,626	2,198	18	7	29,849
OTHER MISC REV	Q006	K401	0	0	0	0	0	0
REVENUE TRANSP OF GAS ASSOC COS	Q008	K901	657,936	427,855	210,086	15,067	4,928	657,936
INTERDEPARTMENTAL	Q024	K901	88,007	57,231	28,102	2,015	659	88,007
TOTAL OTHER OPERATING REVS	Q027		794,792	530,297	241,785	17,112	5,598	794,792
COST OF SERVICE COMPUTATION								
TOTAL OP EXP EXC INC & REV TAX	OP61		123,063,807	82,635,280	38,271,744	1,551,253	605,530	123,063,807
RETURN ON CAPITALIZATION	RC51		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745
NET FED INCOME TAX ALLOWABLE	I879		5,568,494	3,220,761	1,752,605	461,104	134,024	5,568,494
NET STATE INCOME TAX ALLOWABLE	J979		1,421,860	821,313	448,132	118,111	34,304	1,421,860
TOTAL OTHER OPERATING REVENUES	Q027		(794,792)	(530,297)	(241,785)	(17,112)	(5,598)	(794,792)
SUBTOTAL B	CS03		143,821,114	95,181,817	44,345,498	3,193,876	1,099,923	143,821,114
TOTAL OTHER OPERATING REVENUES	Q027		794,792	530,297	241,785	17,112	5,598	794,792
LESS: REVS EXCL FROM REV TAX CALC	REXC		0	0	0	0	0	0
OTHER OPERATING REVS TO BE TAXED	OORT		794,792	530,297	241,785	17,112	5,598	794,792
AFUDC OFFSET	L032	CW29	(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
OTHER DEDUCTION COST TO SERVICE	L033		(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
TOTAL GAS COST OF SERVICE	CS05		143,459,090	94,916,188	44,274,118	3,175,710	1,093,074	143,459,090
PROPOSED REVENUES	R602		143,459,100	94,916,194	44,274,118	3,175,715	1,093,073	143,459,100
TOTAL GAS COST OF SERVICE	CS05		(143,459,090)	(94,916,188)	(44,274,118)	(3,175,710)	(1,093,074)	(143,459,090)
EXCESS REVENUES	XREV		10	6	0	5	(1)	10
COMPOSITE TAX RATE	CTAX		0.40363	0.40363	0.40363	0.40363	0.40363	0.40363
EXCESS TAX	XTAX		4	3	0	2	(1)	4
EXCESS RETURN	XRET		6	3	0	3	(0)	6

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
ROR, TAX RATES & SPEC FACTORS	Schedule 11							
RATE OF RETURN								
CAPITALIZATION AMOUNTS				RATIO	RATIO	RATIO	RATIO	RATIO
LONG TERM DEBT	K100		247,448,802	0.3820	0.3820	0.3820	0.3820	0.3820
PREFERRED STOCK	K102		0	0.0000	0.0000	0.0000	0.0000	0.0000
COMMON STOCK	K104		352,530,000	0.54416	0.5442	0.5442	0.5442	0.5442
SHORT TERM DEBT	K106		47,866,829	0.07389	0.0739	0.0739	0.0739	0.0739
UNAMORTIZED DISCOUNT	K108		0	0.0000	0.0000	0.0000	0.0000	0.0000
TOTAL	K115		647,845,631	1.0000	1.0000	1.0000	1.0000	1.0000
COST OF CAPITAL								
LONG TERM DEBT	K120		0.06302	0.06302	0.06302	0.06302	0.06302	0.06302
PREFERRED STOCK	K122		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMON STOCK	K124		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
SHORT TERM DEBT	K126		0.03875	0.03875	0.03875	0.03875	0.03875	0.03875
UNAMORTIZED DISCOUNT	K128		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WEIGHTED COST OF CAPITAL								
LONG TERM DEBT	K141		0.02407	0.02407	0.02407	0.02407	0.02407	0.02407
PREFERRED STOCK	K143		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
COMMON STOCK	K145		0.06094	0.06094	0.06094	0.06094	0.06094	0.06094
SHORT TERM DEBT	K147		0.00286	0.00286	0.00286	0.00286	0.00286	0.00286
UNAMORTIZED DISCOUNT	K149		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
TOT RATE OF RETURN ALLOWABLE	RORA		0.087870	0.075469	0.121323	0.122330	0.101902	0.08787
			0.087870	0.0754690	0.121323	0.12233	0.101902	0.08787
				RESIDENTIAL	GENERAL SERV	FT FIRM TRANS	INTERRUPT TRANS	AT ISSUE
TAX RATES AND SPECIAL FACTORS								
SHORT TERM DEBT COST	K180		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
FEDERAL INCOME TAX RATE	K190		0.35000	0.35000	0.35000	0.35000	0.35000	0.35000
STATE INCOME TAX RATE	K192		0.0825	0.082500	0.082500	0.082500	0.082500	0.082500
REVENUE TAX RATE	K196		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON REVENUES	Schedule 12							
NET INCOME COMPUTATION								
TOTAL GAS COST OF SERVICE	CS05		143,459,090	94,916,188	44,274,118	3,175,710	1,093,074	143,459,090
TOTAL OTHER OPERATING REVENUES	Q027		794,792	530,297	241,785	17,112	5,598	794,792
TOTAL GAS REVENUE	CS07		144,253,882	95,446,485	44,515,903	3,192,822	1,098,672	144,253,882
TOTAL OP EXP EX INC & REV TAX	OP61		(123,063,807)	(82,635,280)	(38,271,744)	(1,551,253)	(605,530)	(123,063,807)
FIRM SERVICE REVENUE TAX	RTXP		0	0	0	0	0	0
NET INCOME	NI01		21,190,075	12,811,205	6,244,159	1,641,569	493,142	21,190,075
ADJUSTMENTS TO NET INCOME								
TOTAL INTEREST EXPENSE	Y783		(3,864,743)	(2,791,890)	(790,958)	(205,991)	(75,904)	(3,864,743)
TOTAL OTHER DEDUCTIONS	Y823		(5,387,632)	(3,877,401)	(1,121,988)	(283,637)	(104,606)	(5,387,632)
PRELIMINARY TAXABLE INCOME	TI01		11,937,700	6,141,914	4,331,213	1,151,941	312,632	11,937,700
STATE INCOME TAX COMPUTATION								
PRELIMINARY TAX ABLE INCOME (INCL AFUDC)	TI01		11,937,700	6,141,914	4,331,213	1,151,941	312,632	11,937,700
DEDUCTIONS IN ADD TO Y871	Y911		0	0	0	0	0	0
STATE TAXABLE INCOME	SI01		11,937,700	6,141,914	4,331,213	1,151,941	312,632	11,937,700
STATE INCOME TAX PAYABLE								
STATE INCOME TAX RATE	K192		0.08250	0.08250	0.08250	0.08250	0.08250	0.08250
PRELIM SIT = SI01 * K192	ST01		984,860	506,708	357,325	95,035	25,792	984,860
OTHER SIT ADJUSTMENTS	Z955		0	0	0	0	0	0
STATE INCOME TAX PAYABLE	SP01		984,860	506,708	357,325	95,035	25,792	984,860
SIT ALLOWABLE								
STATE INCOME TAX PAYABLE	SP01		984,860	506,708	357,325	95,035	25,792	984,860
TOTAL STATE PROV DEF IT(410.1)	Z911		437,000	314,605	90,807	23,076	8,512	437,000
TOTAL STATE PROV DEF IT(411.1)	Z933		0	0	0	0	0	0
NET STATE INC TAX ALLOWABLE	SA01		1,421,860	821,313	448,132	118,111	34,304	1,421,860

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
INCOME TAX BASED ON REVENUES	Schedule 12 2							
FEDERAL INCOME TAX COMPUTATION								
PRELIMINARY TAXABLE INCOME (INCL AFUDC)	TI01		11,937,700	6,141,914	4,331,213	1,151,941	312,632	11,937,700
STATE INC TAX PAYABLE	SP01		(984,860)	(506,708)	(357,325)	(95,035)	(25,792)	(984,860)
NET FEDERAL TAXABLE INCOME	FI01		10,952,840	5,635,206	3,973,888	1,056,906	286,840	10,952,840
FEDERAL INCOME TAX RATE	K190		0.35000	0.35000	0.35000	0.35000	0.35000	0.35000
PRELIMINARY FIT = FI01 * K190	FT01		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
TOTAL FED PROV DEF IT (410.1)	Z781		1,735,000	1,248,439	361,744	91,187	33,630	1,735,000
TOTAL FED PROV DEF IT (411.1)	Z803		0	0	0	0	0	0
NET FED INC TAX ALLOWABLE	FA01		5,568,494	3,220,761	1,752,605	461,104	134,024	5,568,494
FEDERAL INCOME TAX PAYABLE								
PRELIM FIT	FT01		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
FED INC TAX PAYABLE	FP01		3,833,494	1,972,322	1,390,861	369,917	100,394	3,833,494
PRELIMINARY SUMMARY								
NET INCOME (EXCL AFUDC OFFSET)	NI01		21,552,099	13,076,834	6,315,539	1,659,735	499,991	21,552,099
NET FED INC TAX ALLOWABLE	FA01		(5,568,494)	(3,220,761)	(1,752,605)	(461,104)	(134,024)	(5,568,494)
NET STATE INC TAX ALLOWABLE	SA01		(1,421,860)	(821,313)	(448,132)	(118,111)	(34,304)	(1,421,860)
OVERALL RETURN EARNED-SCH 12	RETU		14,561,745	9,034,760	4,114,802	1,080,520	331,663	14,561,745
RATE OF RETURN EARNED-SCH 12	RORX		0.08787	0.07547	0.12132	0.12233	0.10190	0.08787

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

ALLOCATORS	ITEM	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
Schedule 13							
DEMAND ENERGY & SPEC. ASSIGN							
FIRM MCF SALES		13,035,113	7,363,676	4,009,881	1,661,556	0	13,035,113
RATIO TO TOTAL GAS	K201	1.00000	0.56491	0.30762	0.12747	0.00000	1.00000
DEM PK DAY INCL IT (PK & AVG)		100.00000	59.88100	27.71700	9.24200	3.16000	100.00000
RATIO TO TOTAL GAS	K203	1.00000	0.59881	0.27717	0.09242	0.03160	1.00000
DEM PK DAY EXCL FT, IT & (PK & AVG)		100.00000	68.41400	31.58600	0.00000	0.00000	100.00000
RATIO TO TOTAL GAS	K205	1.00000	0.68414	0.31586	0.00000	0.00000	1.00000
TOTAL ANNUAL MCF SALES		14,326,331	7,363,676	4,009,881	1,661,556	1,291,218	14,326,331
RATIO TO TOTAL GAS	K300	1.00000	0.51399	0.27990	0.11598	0.09013	1.00000
PURCHASED MCF SALES		11,373,557	7,363,676	4,009,881	0	0	11,373,557
RATIO TO TOTAL GAS	K301	1.00000	0.64744	0.35256	0.00000	0.00000	1.00000
PRODUCTION-DEMAND O&M		5,786,111	3,746,160	2,039,951	0	0	5,786,111
RATIO TO TOTAL GAS	K302	1.000000	0.64744	0.35256	0.00000	0.00000	1.00000
PRODUCTION-COMMODITY O&M		86,423,464	55,954,007	30,469,457	0	0	86,423,464
RATIO TO TOTAL GAS	K303	1.000000	0.64744	0.35256	0.00000	0.00000	1.00000
DISTRIBUTION PLANT O & M		5,529,076	3,763,746	1,232,693	370,132	162,505	5,529,076
RATIO TO TOTAL GAS	K304	1.000000	0.68072	0.22295	0.06694	0.02939	1.00000
CUSTOMER ACCOUNTING		4,085,861	3,807,766	263,933	10,315	3,847	4,085,861
RATIO TO TOTAL GAS	K305	1.000000	0.93194	0.06460	0.00252	0.00094	1.00000
CUSTOMER SERVICE & INFORMATION		323,671	135,702	94,136	73,904	19,929	323,671
RATIO TO TOTAL GAS	K306	1.000000	0.41926	0.29084	0.22833	0.06157	1.00000
SALES		79,202	72,506	6,633	47	16	79,202
RATIO TO TOTAL GAS	K307	1.000000	0.91546	0.08375	0.00059	0.00020	1.00000
TOTAL CUSTOMERS		90,598	83,852	6,671	55	20	90,598
RATIO TO TOTAL GAS	K401	1.00000	0.92554	0.07363	0.00061	0.00022	1.00000
WTD CUSTOMERS - SERVICES		91,015	83,852	6,776	176	211	91,015
RATIO TO TOTAL GAS	K403	1.00000	0.92130	0.07445	0.00193	0.00232	1.00000
CUST ACCTG EXPENSE		2,084,817	1,903,029	169,754	8,770	3,264	2,084,817
RATIO TO TOTAL GAS	K405	1.00000	0.91280	0.08142	0.00421	0.00157	1.00000
UNCOLLECTIBLE EXP		2,080,030	1,998,071	81,959	0	0	2,080,030
RATIO TO TOTAL GAS	K406	1.00000	0.96060	0.03940	0.00000	0.00000	1.00000
CUST SERVICE & INFORMATION EXP		320,067	134,191	93,088	73,082	19,706	320,067
RATIO TO TOTAL GAS	K407	1.00000	0.41926	0.29084	0.22833	0.06157	1.00000
CUSTOMER SALES EXPENSE		55,904	51,177	4,682	33	12	55,904
RATIO TO TOTAL GAS	K408	1.00000	0.91545	0.08375	0.00059	0.00021	1.00000
COMBINED CUST ACCTG EXP		4,540,818	4,086,468	349,483	81,885	22,982	4,540,818
RATIO TO TOTAL GAS	K409	1.00000	0.89995	0.07696	0.01803	0.00506	1.00000
A&G FACTOR		8,629,556	6,351,766	1,649,135	449,255	179,400	8,629,556
RATIO TO TOTAL GAS	K411	1.00000	0.73605	0.19110	0.05206	0.02079	1.00000
METER COSTS		5,466,334	3,712,864	1,490,411	160,509	102,550	5,466,334
RATIO TO TOTAL GAS	K413	1.00000	0.67923	0.27265	0.02936	0.01876	1.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

ALLOCATORS	ITEM	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
Schedule 13 2							
CUSTOMER-DEMAND PK & AVG DAY(22%-78%)		100.000	67.069	23.239	7.222	2.470	100.000
RATIO TO TOTAL GAS	K415	1.00000	0.67069	0.23239	0.07222	0.02470	1.00000
WEIGHTED CUST - REGULATORS		3,806,363	2,046,675	1,638,291	85,871	35,526	3,806,363
RATIO TO TOTAL GAS	K417	1.00000	0.53770	0.43041	0.02256	0.00933	1.00000
A & G PROD-DEMAND EXCL REG EXP		317,537	205,586	111,951	0	0	317,537
RATIO TO TOTAL GAS	K419	1.00000	0.64744	0.35256	0.00000	0.00000	1.00000
A & G PROD-COMMODITY EXCL REG EXP		320,522	207,519	113,003	0	0	320,522
RATIO TO TOTAL GAS	K421	1.00000	0.64744	0.35256	0.00000	0.00000	1.00000
A & G PROD-DISTRIBUTION EXCL REG EXP		5,082,252	3,459,591	1,133,088	340,206	149,367	5,082,252
RATIO TO TOTAL GAS	K423	1.00000	0.68072	0.22295	0.06694	0.02939	1.00000
A & G PROD-CUST ACCTG EXCL REG EXP		2,399,290	2,235,995	154,994	6,046	2,255	2,399,290
RATIO TO TOTAL GAS	K425	1.00000	0.93194	0.06460	0.00252	0.00094	1.00000
A & G PROD-CUST SERV & INFO EXCL REG E		450,962	189,070	131,158	102,968	27,766	450,962
RATIO TO TOTAL GAS	K427	1.00000	0.41926	0.29084	0.22833	0.06157	1.00000
A & G PROD-SALES EXCL REG EXP		58,993	54,005	4,941	35	12	58,993
RATIO TO TOTAL GAS	K429	1.00000	0.91545	0.08376	0.00059	0.00020	1.00000
LARGE CUSTOMERS		6,746	0	6,671	55	20	6,746
RATIO TO TOTAL GAS	K431	1.00000	0.00000	0.98888	0.00815	0.00296	0.99999
ASSIGN 100% TO TRANSPORTATION		69	0	0	50	19	69
RATIO TO TOTAL GAS	K433	1.00000	0.00000	0.00000	0.72464	0.27536	1.00000
GS INDUST, FT IT TRANSP		3,147,982	0	463,421	1,364,056	1,320,505	3,147,982
RATIO TO TOTAL GAS	K595	1.00000	0.00000	0.14721	0.43331	0.41948	1.00000
ASSIGN 100% TO GS OTHER		1	0	0	0	1	1
RATIO TO TOTAL GAS	K597	1.00000	0.00000	0.00000	0.00000	1.00000	1.00000
PLANT ACCTS 2761-2763, 2765 & 2801-2803		148,068,000	109,469,510	27,992,736	7,837,729	2,748,025	148,068,000
RATIO TO TOTAL GAS	K667	1.00000	0.73946	0.18905	0.05293	0.01856	1.00000
PLANT ACCTS 2810, 2811, 2820, 2821, 2830, 28		17,930,000	11,499,957	5,645,074	493,819	291,150	17,930,000
RATIO TO TOTAL GAS	K697	1.00000	0.64138	0.31484	0.02754	0.01624	1.00000
PRESENT REVENUES		133,853,135	87,044,527	42,740,480	3,065,707	1,002,421	133,853,135
RATIO TO TOTAL GAS	K901	1.00000	0.65030	0.31931	0.02290	0.00749	1.00000
DSM REV & COST ALLOC - RESIDENTIAL		1	1	0	0	0	1
RATIO TO TOTAL GAS	K902	1.00000	1.00000	0.00000	0.00000	0.00000	1.00000
PRESENT REVENUES	R600	133,853,135	87,044,527	42,740,480	3,065,707	1,002,421	133,853,135
PROPOSED REVENUES	R602	143,459,100	94,916,194	44,274,118	3,175,715	1,093,073	143,459,100
PROPOSED INCREASE		9,605,964	7,871,666	1,533,638	110,008	90,652	9,605,964
REVENUE NOT TO BE INCLUDED IN REVENUE TAX CALC							
GOVERNMENTAL		0	0	0	0	0	0
INTERDEPARTMENTAL		0	0	0	0	0	0
OTHER PROD GAS ASSC COS 4489-5	NP29	0	0	0	0	0	0
RENTAL ASSOC. COS 4493-4,5,6	NP29	0	0	0	0	0	0
TOTAL	REXC	0	0	0	0	0	0

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

ALLOCATORS	ITEM	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
Schedule 13 3							
WEIGHTED ALLOCATORS							
SPECIAL ALLOCATOR INFO FOR K667							
MAINS GROSS PLANT		148,473,000	99,579,357	34,503,640	10,722,720	3,667,283	148,473,000
SERVICES GROSS PLANT		65,600,000	60,437,280	4,883,920	126,608	152,192	65,600,000
MAINS ACCUM RESERVE		(41,033,000)	(27,520,423)	(9,535,659)	(2,963,403)	(1,013,515)	(41,033,000)
SERVICE ACCUM RESERVE		(24,972,000)	(23,006,704)	(1,859,165)	(48,196)	(57,935)	(24,972,000)
TOTAL		148,068,000	109,489,510	27,992,736	7,837,729	2,748,025	148,068,000
SPECIAL ALLOCATOR INFO FOR K697							
MTRS & MTR INST PLANT		17,200,000	11,682,756	4,699,580	504,992	322,672	17,200,000
HOUSE REG & INST PLANT		5,771,000	3,103,067	2,483,896	130,194	53,843	5,771,000
MTRS & MTR INST ACCUM RES		(4,065,000)	(2,761,071)	(1,108,322)	(119,348)	(76,259)	(4,065,000)
HOUSE REG & INST ACCUM RES		(976,000)	(524,795)	(420,080)	(22,019)	(9,106)	(976,000)
TOTAL		17,930,000	11,499,957	5,645,074	493,819	291,150	17,930,000
GROSS GAS PLANT IN SERVICE							
WTD GROSS PROD PLANT RATIOS	P129	1.00000	0.68414	0.31586	0.00000	0.00000	1.00000
WTD GROSS TRANS PLANT RATIOS	T129	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WTD GROSS P & T PLT RATIOS	PT29	1.00000	0.68414	0.31586	0.00000	0.00000	1.00000
WTD GROSS DIST PLANT RATIOS	D149	1.00000	0.73350	0.19778	0.04999	0.01873	1.00000
WTD GROSS TRANS & DIST RATIOS	TD29	1.00000	0.72814	0.20074	0.05188	0.01924	1.00000
WTD GROSS PTD PLT RATIOS	PD29	1.00000	0.72781	0.20159	0.05150	0.01910	1.00000
WTD GROSS G & I PLT RATIOS	G129	1.00000	0.73609	0.19105	0.05207	0.02079	1.00000
WTD GROSS C & O PLANT RATIOS	C129	1.00000	0.73606	0.19109	0.05206	0.02079	1.00000
WTD GROSS PLANT RATIOS	GP19	1.00000	0.72815	0.20116	0.05152	0.01917	1.00000
WTD DISTR ACCUM RESERVE	D199	1.00000	0.74828	0.18596	0.04753	0.01823	1.00000
WTD TOTAL DEPRC RES RATIOS	DR19	1.00000	0.74670	0.18785	0.04726	0.01819	1.00000
NET GAS PLANT							
WTD NET PROD PLANT RATIOS	P229	1.00000	0.68414	0.31586	0.00000	0.00000	1.00000
WTD NET TRANS PLANT RATIOS	T229	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WTD NET DIST PLANT RATIOS	D249	1.00000	0.71934	0.20719	0.05379	0.01968	1.00000
WTD NET TRANS & DIST RATIOS	NT29	1.00000	0.71934	0.20719	0.05379	0.01968	1.00000
WTD NET G & I PLT RATIOS	G229	1.00000	0.73620	0.19092	0.05209	0.02079	1.00000
WTD NET C & O PLANT RATIOS	C229	1.00000	0.73609	0.19110	0.05203	0.02078	1.00000
WTD NET PLANT RATIOS	NP29	1.00000	0.71966	0.20725	0.05347	0.01962	1.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

ALLOCATORS	ITEM	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
Schedule 13 4							
RATE BASE ADJUSTMENTS							
WORKING CAPITAL							
WTD MATERIAL & SUPPLY RATIOS	W669	1.00000	0.69321	0.28812	0.01366	0.00501	1.00000
WTD PREPAYMENTS RATIOS	W689	1.00000	0.65030	0.31931	0.02290	0.00749	1.00000
WTD CASH WORKING CAP RATIOS	W719	1.00000	0.75536	0.17799	0.04745	0.01920	1.00000
WTD TOTAL WORKING CASH RATIOS	W729	1.00000	0.75536	0.17799	0.04745	0.01920	1.00000
WTD TOTAL MISC WRKNG CAP RATIO	W749	1.00000	0.68414	0.31586	0.00000	0.00000	1.00000
WTD TOTAL WRKNG CAP RATIOS	WC79	1.00000	0.70395	0.27573	0.01452	0.00580	1.00000
RATE BASE							
WTD NET OCRB RATIOS	RB29	1.00000	0.72342	0.20068	0.05548	0.02042	1.00000
WTD TOTAL RATE BASE RATIOS	RB99	1.00000	0.72240	0.20466	0.05330	0.01964	1.00000
WTD CWIP RATIO	CW29	1.00000	0.73373	0.19717	0.05018	0.01892	1.00000
WEIGHTED RATIOS							
O & M EXPENSES							
WTD PROD ENERGY EXP RATIOS	P349	1.00000	0.64744	0.35256	0.00000	0.00000	1.00000
WTD TRANS O&M EXP RATIOS	T349	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WTD DIST O&M EXP RATIOS	D349	1.00000	0.68072	0.22295	0.06694	0.02939	1.00000
WTD CUST ACCT EXP RATIOS	C319	1.00000	0.93194	0.06460	0.00252	0.00094	1.00000
WTD SALES EXP RATIOS	S319	1.00000	0.91546	0.08375	0.00059	0.00020	1.00000
WTD A&G EXP RATIOS	A339	1.00000	0.73605	0.19110	0.05206	0.02079	1.00000
WTD O&M EXP RATIOS	OM39	1.00000	0.66613	0.32232	0.00822	0.00333	1.00000
DEPRECIATION EXPENSES							
WTD PRODUCTION DEPREC RATIOS	P489	1.00000	0.68415	0.31585	0.00000	0.00000	1.00000
WTD TRANS DEPREC RATIOS	T489	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WTD DIST DEPREC RATIOS	D489	1.00000	0.71934	0.20719	0.05379	0.01968	1.00000
WTD GENERAL DEPREC EXP RATIOS	G489	1.00000	0.73620	0.19092	0.05209	0.02079	1.00000
WTD COM & OTHER DEP EXP RATIOS	C489	1.00000	0.73609	0.19110	0.05203	0.02078	1.00000
WTD TOT DEPREC EXP RATIOS	DE49	1.00000	0.72073	0.20615	0.05342	0.01970	1.00000
OTHER TAXES & MISC EXPENSES							
WTD R. E. & PROP TAX RATIOS	L529	1.00000	0.71966	0.20725	0.05347	0.01962	1.00000
WTD MISC TAX RATIOS	L589	1.00000	0.73611	0.19101	0.05208	0.02080	1.00000
WTD OTHER TAX RATIOS	L599	1.00000	0.72233	0.20495	0.05296	0.01976	1.00000
WTD OP EXP EX IT & REV RATIOS	OP69	1.00000	0.67148	0.31099	0.01261	0.00492	1.00000
INCOME TAXES							
WTD TOTAL ELEC REVENUE	CS09	1.00000	0.66162	0.30862	0.02214	0.00762	1.00000
OPERATING EXPENSES							
WTD PROD O&M EXP RATIOS	P459	1.00000	0.64746	0.35254	0.00000	0.00000	1.00000
WTD TRANS O&M EXP RATIOS	T349	1.00000	0.00000	0.00000	0.00000	0.00000	0.00000
WTD DIST O&M EXP RATIOS	D349	1.00000	0.68072	0.22295	0.06694	0.02939	1.00000
WTD C S & I EXPENSE RATIOS	C331	1.00000	0.41926	0.29084	0.22833	0.06157	1.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	TOTAL GAS	RS RESIDENTIAL	GS GENERAL SERV	FT FIRM TRANS	IT INTERRUPT TRANS	TOTAL AT ISSUE
SUMMARY OF RESULTS	Schedule 1							
NET INCOME COMPUTATION								
GROSS GAS PLANT IN SERVICE	GP11		277,747,000	202,241,958	55,870,644	14,310,769	5,323,629	277,747,000
TOTAL DEPRECIATION RESERVE	DR11		(87,230,000)	(65,134,472)	(16,386,160)	(4,122,898)	(1,586,470)	(87,230,000)
TOTAL RATE BASE ADJUSTMENTS	RB71		(22,997,020)	(16,091,272)	(5,200,390)	(1,258,500)	(446,858)	(22,997,020)
TOTAL RATE BASE	RB91		167,519,980	121,016,214	34,284,094	8,929,371	3,290,301	167,519,980
CAPITALIZATION ALLOC TO GAS OPER	GCAP		165,719,193	119,715,545	33,916,090	8,832,833	3,254,725	165,719,193
OPERATING EXPENSES								
TOTAL O&M EXPENSE	OM31		111,090,622	74,000,885	35,807,250	913,041	369,446	111,090,622
TOTAL DEPRECIATION EXPENSE	DE41		8,840,365	6,371,444	1,822,437	472,293	174,191	8,840,365
TOTAL OTHER TAX & MISC EXPENSE	L591		3,132,820	2,262,951	642,057	165,919	61,893	3,132,820
TOTAL OP EXP EXC INC & R TAX	OP61		123,063,807	82,635,280	38,271,744	1,551,253	605,530	123,063,807
NET FED INCOME TAX EXP ALLOWABLE	I879		5,568,494	3,529,863	1,457,774	436,767	144,089	5,568,493
NET STATE INCOME TAX EXP ALLOWABLE	J979		1,421,860	900,724	372,387	111,859	36,890	1,421,860
AFUDC OFFSET	LO33	CW29	(362,024)	(265,629)	(71,380)	(18,166)	(6,849)	(362,024)
TOTAL OPERATING EXPENSE	OPEX		129,692,137	86,800,238	40,030,525	2,081,713	779,660	129,692,136
RETURN ON CAPITALIZATION	RC51		14,561,745	9,608,807	3,567,260	1,035,323	350,355	14,561,745
TOTAL OTHER OPERATING REVENUES	QO27		(794,792)	(530,297)	(241,785)	(17,112)	(5,598)	(794,792)
TOTAL GAS COST OF SERVICE	CS05		143,459,090	95,878,748	43,356,000	3,099,924	1,124,417	143,459,089
PROPOSED REVENUES	R602		133,853,135	87,044,527	42,740,480	3,065,707	1,002,421	133,853,135
EXCESS REVENUES	XREV		(9,605,955)	(8,834,221)	(615,520)	(34,217)	(121,996)	(9,605,954)
TOTAL RETURN EARNED	RETE		8,832,993	4,340,298	3,200,179	1,014,917	277,600	8,832,994
RATE OF RETURN EARNED ON CAP	RORE		0.053300	0.036260	0.094360	0.114900	0.085290	0.05330
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.087870	0.081211	0.105179	0.117213	0.107645	0.08787
RETURN EARNED ON COMMON EQUITY	REOE		0.04850	0.01710	0.12390	0.16170	0.10720	0.04850
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		133,853,135	87,044,527	42,740,480	3,065,707	1,002,421	133,853,135
REVENUE INCREASE JUSTIFIED	RIJD		9,605,955	8,834,221	615,520	34,217	121,996	9,605,954
PER UNIT PRES REV	RIJP		0.07176	0.10149	0.01440	0.01116	0.12170	0.07176
REVENUE INCREASE REQUESTED	RIRD		0	0	0	0	0	0
PER UNIT PRES REV	RIRP		0.00000	0.00000	0.00000	0.00000	0.00000	0.00000

OFFICE OF THE ATTORNEY GENERAL
COMPUTATION OF THE RATE INCREASE AMOUNT BY RATE CLASS
ULH&P SUBSIDY EXCESS METHODOLOGY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

Line No.	Rate Class	Capitalization (A)	Present Revenues (B)	Net Operating Income (C)	Present ROR (D) (C) / (A)	Gross Revenues At Average ROR (E)	Subsidy () Excess (F)	50% Reduction In Subsidy () Excess (G) (F) * 50%	Rate Increase (H)	Proposed Revenues (I) (B)-(I)+(J)	Proposed Percent Increase (J)	ROR At Proposed Rates (K)	Proposed Increase Reflecting Subsidy/Excess Adj (L)	Percent of Total Increase
1	Rate RS	119,715,545	87,044,527	4,340,298	0.036255000	90,466,295	(3,421,768)	(1,710,884)	6,939,342	95,694,753	9.938%	7.93470%	8,650,226	90.05%
2	Rate GS	33,916,090	42,740,480	3,200,179	0.094356000	40,405,676	2,334,804	1,167,402	1,965,955	43,539,033	1.868%	10.83970%	798,553	8.31%
3	Rate FT-L	8,832,833	3,065,707	1,014,917	0.114903000	2,153,331	912,376	456,188	511,997	3,121,516	1.820%	11.86710%	55,809	0.58%
4	Rate IT	3,254,725	1,002,421	277,600	0.085291000	827,833	174,588	87,294	188,661	1,103,788	10.112%	10.38650%	101,367	1.06%
5	Total	165,719,193	133,853,135	8,832,994	0.053300974	133,853,135	0	0	9,605,955	143,459,090	7.177%	8.7870%	9,605,955	100.00%

Avg. Present Rate of Return 5.3300974%

Tax Complement 0.596375

Exhibit DHBK – 14
Page 2 of 2

OFFICE OF THE ATTORNEY GENERAL
COMPUTATION OF THE RATE INCREASE AMOUNT BY RATE CLASS
AG REVENUE ALLOCATION METHODOLOGY
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

Line No.	Rate Class	Capitalization (A)	Present Revenues (B)	Net Operating Income (C)	Present ROR (D) (C) / (A)	Rate Increase on Revenues (E)	Present Revenue Percent (F)	Increase to Classes Under ROR (G)	Below ROR Percent (H)	Proposed Rate Increase (I) 2(E)/3 + (G)/3	Percent of Total Increase (J)	Proposed Revenues (K) (B)+(I)	Proposed Percent Increase (L)	ROR At Proposed Rates (M)
1	Rate RS	119,715,545	87,044,527	4,340,298	0.036255000	6,246,743	65.0%	9,496,590	98.9%	7,330,025	76.31%	94,374,553	8.421%	7.27700%
2	Rate GS	33,916,090	42,740,460	3,200,179	0.094356000	3,067,268	31.9%	0	0.0%	2,044,839	21.29%	44,785,319	4.784%	13.03120%
3	Rate FT-L	8,832,833	3,065,707	1,014,917	0.114903000	220,015	2.3%	0	0.0%	146,676	1.53%	3,212,383	4.784%	12.48060%
4	Rate IT	3,254,725	1,002,421	277,600	0.085291000	71,939	0.7%	109,364	1.1%	84,414	0.88%	1,086,835	8.421%	10.07590%
5	Total	165,719,193	133,853,135	8,832,994	0.053300974	9,605,955	100.0%	9,605,955	100.0%	9,605,955	100.00%	143,459,090	7.177%	8.78700%

Avg. Present Rate of Return 5.3300974%

Tax Complement 0.596375

Exhibit DHBK – 15
Page 1 of 1

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	PRODUCTION / PROCUREMENT DEMAND	PRODUCTION / PROCUREMENT COMMODITY	DISTRIBUTION LAND,STRUCT & EQUIP DEMAND	DISTRIBUTION LAND, STRUCT & EQUIP CUSTOMER	DISTRIBUTION MAINS DEMAND	DISTRIBUTION MAINS CUSTOMER
SUMMARY OF RESULTS	Schedule 1								
NET INCOME COMPUTATION									
GROSS GAS PLANT IN SERVICE	GP11		202,241,958	1,614,354	273,220	2,668,777	0	91,593,037	25,833,911
TOTAL DEPRECIATION RESERVE	DR11		(65,134,472)	(848,726)	(139,847)	(1,539,719)	0	(24,822,051)	(7,001,056)
TOTAL RATE BASE ADJUSTMENTS	RB71		(16,091,272)	4,165,752	(3,824,673)	(140,218)	0	(9,945,520)	(2,813,209)
TOTAL RATE BASE	RB91		121,016,214	4,931,380	(3,691,300)	988,840	0	56,825,466	16,019,646
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	119,715,545	4,877,211	(3,651,324)	978,076	0	56,214,828	15,847,944
OPERATING EXPENSES									
TOTAL O&M EXPENSE	OM31		74,000,885	4,078,523	57,208,664	109,108	0	3,357,602	899,487
TOTAL DEPRECIATION EXPENSE	DE41		6,371,444	42,301	19,280	52,086	0	3,008,649	848,608
TOTAL OTHER TAX & MISC EXPENSE	L591		2,262,951	25,494	26,779	18,164	0	991,723	279,247
TOTAL OP EXP EXC INC & R TAX	OP61		82,635,280	4,146,318	57,254,723	179,358	0	7,357,974	2,027,342
NET FED INCOME TAX EXP ALLOWABLE	I879		3,220,761	136,495	(100,519)	25,609	0	1,514,724	427,019
NET STATE INCOME TAX EXP ALLOWABLE	J979		821,313	35,039	(27,249)	6,540	0	386,860	109,060
AFUDC OFFSET	LO33	KNET_CWIP	(265,629)	(786)	(794)	(3,445)	0	(118,298)	(33,366)
TOTAL OPERATING EXPENSE	OPEX		86,411,725	4,317,066	57,126,161	208,062	0	9,141,260	2,530,055
RETURN ON CAPITALIZATION	RC51		9,034,760	368,028	(275,562)	73,814	0	4,242,477	1,196,028
TOTAL OTHER OPERATING REVENUES	QO27		(530,297)	(29,017)	(351,916)	(1,920)	0	(92,554)	(10,071)
TOTAL GAS COST OF SERVICE	CS05		94,916,188	4,656,077	56,498,683	279,956	0	13,291,183	3,716,012
PROPOSED REVENUES	R602		94,916,194	4,893,063	56,454,711	392,167	0	18,927,332	2,909,101
EXCESS REVENUES	XREV		6	201,188	(43,972)	112,211	0	5,636,149	(806,911)
TOTAL RETURN EARNED	RETE		9,034,763	515,729	(301,786)	140,734	0	7,603,735	714,806
RATE OF RETURN EARNED ON CAP	RORE		0.075470	0.105830	0.082650	0.143890	0.000000	0.135260	0.045100
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.075469	0.075469	0.075469	0.075469	0.075469	0.075469	0.075469
RETURN EARNED ON COMMON EQUITY	REOE		0.08920	0.14475	0.10240	0.21494	0.00000	0.19908	0.03339
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		87,044,527	4,640,800	56,264,349	306,604	0	14,797,776	1,609,702
REVENUE INCREASE JUSTIFIED	RIJD		**7,871,661**	**15,277**	**234,334**	**(26,648)**	**0**	**(1,506,593)**	**2,106,310**
PER UNIT PRES REV	RIJP		0.09043	0.00329	0.00416	(0.08691)	0.00000	(0.10181)	1.30851
REVENUE INCREASE REQUESTED	RIRD		**7,871,686**	**252,263**	**190,362**	**85,563**	**0**	**4,129,656**	**1,299,399**
PER UNIT PRES REV	RIRP		0.09043	0.05436	0.00338	0.27907	0.00000	0.27907	0.80723

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	SERVICES CUSTOMERS	METERS CUSTOMERS	CUSTOMER ACCOUNTING	CUSTOMER SERVICE & INFO SYSTEMS	CUSTOMER SALES	BLANK
SUMMARY OF RESULTS	Schedule 1								
NET INCOME COMPUTATION									
GROSS GAS PLANT IN SERVICE	GP11		202,241,958	61,864,345	15,134,951	2,939,338	248,621	71,404	0
TOTAL DEPRECIATION RESERVE	DR11		(65,134,472)	(25,273,488)	(3,840,429)	(1,505,083)	(127,454)	(36,619)	0
TOTAL RATE BASE ADJUSTMENTS	RB71		(16,091,272)	(5,271,627)	(1,536,316)	3,175,077	74,020	25,442	0
TOTAL RATE BASE	RB91		121,016,214	31,319,230	9,758,206	4,609,332	195,187	60,227	0
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	119,715,545	30,982,383	9,653,862	4,559,965	192,742	59,858	0
OPERATING EXPENSES									
TOTAL O&M EXPENSE	OM31		74,000,885	1,529,452	1,796,931	4,560,732	331,646	128,740	0
TOTAL DEPRECIATION EXPENSE	DE41		6,371,444	1,662,030	508,514	207,428	17,521	5,027	0
TOTAL OTHER TAX & MISC EXPENSE	L591		2,262,951	557,104	167,138	177,972	15,036	4,294	0
TOTAL OP EXP EXC INC & R TAX	OP61		82,635,280	3,748,586	2,472,583	4,946,132	364,203	138,061	0
NET FED INCOME TAX EXP ALLOWABLE	I879		3,220,761	826,910	260,541	123,394	5,019	1,569	0
NET STATE INCOME TAX EXP ALLOWABLE	J979		821,313	211,187	66,549	31,641	1,284	402	0
AFUDC OFFSET	LO33	KNET_CWIP	(265,629)	(79,899)	(19,548)	(8,561)	(725)	(207)	0
TOTAL OPERATING EXPENSE	OPEX		86,411,725	4,706,784	2,780,125	5,092,606	369,781	139,825	0
RETURN ON CAPITALIZATION	RC51		9,034,760	2,338,209	728,567	344,136	14,546	4,517	0
TOTAL OTHER OPERATING REVENUES	QO27		(530,297)	(19,547)	(9,868)	(14,048)	(986)	(370)	0
TOTAL GAS COST OF SERVICE	CS05		94,916,188	7,025,446	3,498,824	5,422,694	383,341	143,972	0
PROPOSED REVENUES	R602		94,916,194	5,647,096	2,851,378	4,058,786	284,646	106,723	0
EXCESS REVENUES	XREV		6	(1,378,350)	(647,446)	(1,363,908)	(98,695)	(37,249)	0
TOTAL RETURN EARNED	RETE		9,034,763	1,516,196	342,446	(469,265)	(44,313)	(17,697)	0
RATE OF RETURN EARNED ON CAP	RORE		0.075470	0.048940	0.035470	(0.102910)	(0.229910)	(0.295650)	0.000000
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.075469	0.075469	0.075469	0.075469	0.075469	0.075469	0.075469
RETURN EARNED ON COMMON EQUITY	REOE		0.08920	0.04045	0.01569	(0.23861)	(0.47199)	(0.59280)	0.00000
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		87,044,527	3,124,727	1,577,763	2,245,862	157,504	59,053	0
REVENUE INCREASE JUSTIFIED	RIJD		**7,871,661**	**3,900,719**	**1,921,061**	**3,176,832**	**225,837**	**84,919**	**0**
PER UNIT PRES REV	RIJP		0.09043	1.24834	1.21759	1.41453	1.43385	1.43801	0.00000
REVENUE INCREASE REQUESTED	RIRD		**7,871,666**	**2,522,389**	**1,273,615**	**1,812,924**	**127,142**	**47,670**	**0**
PER UNIT PRES REV	RIRP		0.09043	0.80723	0.80723	0.80723	0.80723	0.80724	0.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	TOTAL DISTRIBUTION	TOTAL AT ISSUE	ALL OTHER	PRODUCTION DEMAND	PRODUCTION COMMODITY	DISTRIB DEMAND
SUMMARY OF RESULTS	Schedule 1								
NET INCOME COMPUTATION									
GROSS GAS PLANT IN SERVICE	GP11		202,241,958	200,354,384	202,241,958	0	1,614,354	273,220	94,261,814
TOTAL DEPRECIATION RESERVE	DR11		(65,134,472)	(64,145,899)	(65,134,472)	0	(848,726)	(139,847)	(26,361,770)
TOTAL RATE BASE ADJUSTMENTS	RB71		(16,091,272)	(16,432,351)	(16,091,272)	0	4,165,752	(3,824,673)	(10,085,738)
TOTAL RATE BASE	RB91		121,016,214	119,776,134	121,016,214	0	4,931,380	(3,691,300)	57,814,306
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	119,715,545	118,489,658	119,715,545	0	4,877,211	(3,651,324)	57,192,904
OPERATING EXPENSES									
TOTAL O&M EXPENSE	OM31		74,000,885	12,713,698	74,000,885	0	4,078,523	57,208,664	3,466,710
TOTAL DEPRECIATION EXPENSE	DE41		6,371,444	6,309,863	6,371,444	0	42,301	19,280	3,060,735
TOTAL OTHER TAX & MISC EXPENSE	L591		2,262,951	2,210,678	2,262,951	0	25,494	26,779	1,009,887
TOTAL OP EXP EXC INC & R TAX	OP61		82,635,280	21,234,239	82,635,280	0	4,146,318	57,254,723	7,537,332
NET FED INCOME TAX EXP ALLOWABLE	I879		3,220,761	3,184,785	3,220,761	0	136,495	(100,519)	1,540,333
NET STATE INCOME TAX EXP ALLOWABLE	J979		821,313	813,523	821,313	0	35,039	(27,249)	393,400
AFUDC OFFSET	LO33	KNET_CWIP	(265,629)	(264,049)	(265,629)	0	(786)	(794)	(121,743)
TOTAL OPERATING EXPENSE	OPEX		86,411,725	24,968,498	86,411,725	0	4,317,066	57,126,161	9,349,322
RETURN ON CAPITALIZATION	RC51		9,034,760	8,942,294	9,034,760	0	368,028	(275,562)	4,316,291
TOTAL OTHER OPERATING REVENUES	QO27		(530,297)	(149,364)	(530,297)	0	(29,017)	(351,916)	(94,474)
TOTAL GAS COST OF SERVICE	CS05		94,916,188	33,761,428	94,916,188	0	4,656,077	56,498,683	13,571,139
PROPOSED REVENUES	R602		94,916,194	35,177,229	96,525,003	0	4,893,063	56,454,711	19,319,499
EXCESS REVENUES	XREV		6	(331,286)	1,758	0	201,188	(43,972)	5,748,360
TOTAL RETURN EARNED	RETE		9,034,763	9,621,389	9,919,875	0	515,729	(301,786)	7,744,469
RATE OF RETURN EARNED ON CAP	RORE		0.075470	0.079580	0.080390	0.000000	0.105830	0.082650	0.135410
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.075469	0.075469	0.075469	0.075469	0.075469	0.075469	0.075469
RETURN EARNED ON COMMON EQUITY	REOE		0.08920	0.09649	0.09798	0.00000	0.14475	0.10240	0.19935
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		87,044,527	23,878,991	84,784,140	2,260,387	4,640,800	56,264,349	15,104,380
REVENUE INCREASE JUSTIFIED	RIJD		**7,871,661**	**9,882,437**	**10,132,048**	**(2,260,387)**	**15,277**	**234,334**	**(1,533,241)**
PER UNIT PRES REV	RIJP		0.09043	0.41385	0.11950	(1.00000)	0.00329	0.00416	(0.10151)
REVENUE INCREASE REQUESTED	RIRD		**7,871,666**	**11,298,238**	**11,740,863**	**0**	**252,263**	**190,362**	**4,215,119**
PER UNIT PRES REV	RIRP		0.09043	0.47315	0.13848	0.00000	0.05436	0.00338	0.27907

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	IUTION CUSTOMER	Cust Acctg	TOTAL DISTRIBUTION	TOTAL AT ISSUE	CUSTOMER w/o Mains
SUMMARY OF RESULTS	Schedule 1							
NET INCOME COMPUTATION								
GROSS GAS PLANT IN SERVICE	GP11		202,241,958	106,092,570	3,259,363	200,354,384	202,241,958	
TOTAL DEPRECIATION RESERVE	DR11		(65,134,472)	(37,784,129)	(1,669,156)	(64,145,899)	(65,134,472)	
TOTAL RATE BASE ADJUSTMENTS	RB71		(16,091,272)	(6,346,613)	3,274,539	(16,432,351)	(16,091,272)	
TOTAL RATE BASE	RB91		121,016,214	61,961,828	4,864,746	119,776,134	121,016,214	
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	119,715,545	61,296,754	4,812,565	118,489,658	119,715,545	45,448,810
OPERATING EXPENSES								
TOTAL O&M EXPENSE	OM31		74,000,885	9,246,988	5,021,118	12,713,698	74,000,885	
TOTAL DEPRECIATION EXPENSE	DE41		6,371,444	3,249,128	229,976	6,309,863	6,371,444	
TOTAL OTHER TAX & MISC EXPENSE	L591		2,262,951	1,200,791	197,302	2,210,678	2,262,951	
TOTAL OP EXP EXC INC & R TAX	OP81		82,635,280	13,696,907	5,448,396	21,234,239	82,635,280	
NET FED INCOME TAX EXP ALLOWABLE	I878		3,220,761	1,644,452	129,982	3,184,785	3,220,761	
NET STATE INCOME TAX EXP ALLOWABLE	J979		821,313	420,123	33,327	813,523	821,313	
AFUDC OFFSET	LO33	KNET_CWIP	(265,629)	(142,306)	(9,493)	(264,049)	(265,629)	
TOTAL OPERATING EXPENSE	OPEX		86,411,725	15,619,176	5,602,212	24,968,498	86,411,725	13,089,121
RETURN ON CAPITALIZATION	RC51		9,034,760	4,626,003	363,199	8,942,294	9,034,760	
TOTAL OTHER OPERATING REVENUES	QO27		(530,297)	(54,890)	(15,404)	(149,364)	(530,297)	
TOTAL GAS COST OF SERVICE	CS05		94,916,188	20,190,289	5,950,007	33,761,428	94,916,188	
PROPOSED REVENUES	R602		94,916,194	15,857,730	4,450,155	35,177,229	96,525,003	
EXCESS REVENUES	XREV		6	(5,194,427)	(1,499,852)	(331,286)	1,758	
TOTAL RETURN EARNED	RETE		9,034,763	1,963,163	(531,275)	9,621,389	9,919,875	
RATE OF RETURN EARNED ON CAP	RORE		0.075470	0.031500	(0.110390)	0.079580	0.081220	
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.075469	0.075469	0.075469	0.075469	0.075469	
RETURN EARNED ON COMMON EQUITY	REOE		0.08920	0.00809	(0.25235)	0.09649	0.09950	
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	
PRESENT REVENUES	R600		87,044,527	8,774,611	2,462,419	23,878,991	84,784,140	
REVENUE INCREASE JUSTIFIED	RIJD		**7,871,661**	**11,415,678**	**3,487,588**	**9,882,437**	**10,132,048**	
PER UNIT PRES REV	RIJP		0.09043	1.30099	1.41633	0.41385	0.11950	
REVENUE INCREASE REQUESTED	RIRD		**7,871,666**	**7,083,119**	**1,987,736**	**11,298,238**	**11,740,863**	
PER UNIT PRES REV	RIRP		0.09043	0.80723	0.80723	0.47315	0.13848	

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	PRODUCTION / PROCUREMENT DEMAND	PRODUCTION / PROCUREMENT COMMODITY	DISTRIBUTION LAND,STRUCT & EQUIP DEMAND	DISTRIBUTION LAND, STRUCT & EQUIP CUSTOMER	DISTRIBUTION MAINS DEMAND	DISTRIBUTION MAINS CUSTOMER
O&M EXPENSES	Schedule 6								
PRODUCTION O&M									
COMMODITY RELATED O&M									
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	55,721,204	0	55,721,204	0	0	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	232,803	0	232,803	0	0	0	0
TOTAL ENERGY RELATED	P341		55,954,007	0	55,954,007	0	0	0	0
DEMAND RELATED PROD O&M									
ANNUALIZED GAS COST - DEMAND	P352	KPROD	3,746,160	3,746,160	0	0	0	0	0
TOTAL DEMAND RELATED	P391		3,746,160	3,746,160	0	0	0	0	0
OTHER THAN EN/DEM RELATED									
PRODUCTION EXPENSES	P400	KPROD	40,500	40,500	0	0	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(4,004)	(4,004)	0	0	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		36,496	36,496	0	0	0	0	0
TOTAL PRODUCTION O&M	P451		59,736,663	3,782,656	55,954,007	0	0	0	0
TRANSMISSION O & M									
TRANSMISSION O & M	T318								
TOTAL TRANSMISSION O & M	T341		0	0	0	0	0	0	0
DISTRIBUTION O & M									
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	239,339	1	0	1,984	0	118,839	33,519
MAINS & SERVICES OPER	D302	KDIST_MA_D	971,171	0	0	0	0	757,513	213,658
M & R STATION	D304	KDIST_STR_D	53,936	0	0	53,936	0	0	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	1,244,339	0	0	0	0	0	0
METERS & HOUSE REG	D308	KMTRS_CUS	235,296	0	0	0	0	0	0
MAINS	D310	KDIST_MA_D	749,976	0	0	0	0	584,981	164,995
SERVICES	D312	KSERV_CUS	308,608	0	0	0	0	0	0
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	179,308	0	0	1,487	0	89,032	25,112
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	0	0	0	0	0	0	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(218,227)	0	0	(1,809)	0	(108,356)	(30,563)
TOTAL DISTRIBUTION O & M	D341		3,763,746	1	0	55,598	0	1,442,009	406,721
CUSTOMER ACCOUNTING									
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	2,236,384	0	0	0	0	0	0
UNCOLLECTIBLE EXP	C302	KFUNC_REV	1,409,987	77,153	935,696	5,104	0	246,085	26,776
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	161,395	8,832	107,105	584	0	28,168	3,065
TOTAL CUSTOMER ACCT EXPENSE	C317		3,807,766	85,985	1,042,801	5,688	0	274,253	29,841

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	SERVICES CUSTOMERS	METERS CUSTOMERS	CUSTOMER ACCOUNTING	CUSTOMER SERVICE & INFO SYSTEMS	CUSTOMER SALES	BLANK
O&M EXPENSES	Schedule 6								
PRODUCTION O&M									
COMMODITY RELATED O&M									
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	55,721,204	0	0	0	0	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	232,803	0	0	0	0	0	0
TOTAL ENERGY RELATED	P341		55,954,007	0	0	0	0	0	0
DEMAND RELATED PROD O&M									
ANNUALIZED GAS COST - DEMAND	P352	KPROD	3,746,160	0	0	0	0	0	0
TOTAL DEMAND RELATED	P391		3,746,160	0	0	0	0	0	0
OTHER THAN EN/DEM RELATED									
PRODUCTION EXPENSES	P400	KPROD	40,500	0	0	0	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(4,004)	0	0	0	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		36,496	0	0	0	0	0	0
TOTAL PRODUCTION O&M	P451		59,736,663	0	0	0	0	0	0
TRANSMISSION O & M									
TRANSMISSION O & M	T318								
TOTAL TRANSMISSION O & M	T341		0	0	0	0	0	0	0
DISTRIBUTION O & M									
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	239,339	64,887	20,109	0	0	0	0
MAINS & SERVICES OPER	D302	KDIST_MA_D	971,171	0	0	0	0	0	0
M & R STATION	D304	KDIST_STR_D	53,936	0	0	0	0	0	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	1,244,339	0	1,244,339	0	0	0	0
METERS & HOUSE REG	D308	KMTRS_CUS	235,296	0	235,296	0	0	0	0
MAINS	D310	KDIST_MA_D	749,976	0	0	0	0	0	0
SERVICES	D312	KSERV_CUS	308,608	308,608	0	0	0	0	0
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	179,308	48,612	15,065	0	0	0	0
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	0	0	0	0	0	0	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(218,227)	(59,164)	(18,335)	0	0	0	0
TOTAL DISTRIBUTION O & M	D341		3,763,746	362,943	1,496,474	0	0	0	0
CUSTOMER ACCOUNTING									
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	2,236,384	0	0	2,236,384	0	0	0
UNCOLLECTIBLE EXP	C302	KFUNC_REV	1,409,987	51,972	26,240	37,351	2,623	987	0
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	161,395	5,949	3,004	4,275	300	113	0
TOTAL CUSTOMER ACCT EXPENSE	C317		3,807,766	57,921	29,244	2,278,010	2,923	1,100	0

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	TOTAL DISTRIBUTION	TOTAL AT ISSUE	ALL OTHER	PRODUCTION DEMAND	PRODUCTION COMMODITY	DISTRIBUTION DEMAND	DISTRIBUTION CUSTOMER
O&M EXPENSES	Schedule 6									
PRODUCTION O&M										
COMMODITY RELATED O&M										
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	55,721,204	0	55,721,204	0	0	55,721,204	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	232,803	0	232,803	0	0	232,803	0	0
TOTAL ENERGY RELATED	P341		55,954,007	0	55,954,007	0	0	55,954,007	0	0
DEMAND RELATED PROD O&M										
ANNUALIZED GAS COST - DEMAND	P352	KPROD	3,746,160	0	3,746,160	0	3,746,160	0	0	0
TOTAL DEMAND RELATED	P391		3,746,160	0	3,746,160	0	3,746,160	0	0	0
OTHER THAN EN/DEM RELATED										
PRODUCTION EXPENSES	P400	KPROD	40,500	0	40,500	0	40,500	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(4,004)	0	(4,004)	0	(4,004)	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		36,496	0	36,496	0	36,496	0	0	0
TOTAL PRODUCTION O&M	P451		59,736,663	0	59,736,663	0	3,782,656	55,954,007	0	0
TRANSMISSION O & M										
TRANSMISSION O & M	T318									
TOTAL TRANSMISSION O & M	T341		0		0	0	0	0	0	0
DISTRIBUTION O & M										
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	239,339	239,338	239,339	0	1	0	120,823	118,515
MAINS & SERVICES OPER	D302	KDIST_MA_D	971,171	971,171	971,171	0	0	0	757,513	213,658
M & R STATION	D304	KDIST_STR_D	53,936	53,936	53,936	0	0	0	53,936	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	1,244,339	1,244,339	1,244,339	0	0	0	0	1,244,339
METERS & HOUSE REG	D308	KMTRS_CUS	235,296	235,296	235,296	0	0	0	0	235,296
MAINS	D310	KDIST_MA_D	749,976	749,976	749,976	0	0	0	584,981	164,995
SERVICES	D312	KSERV_CUS	308,608	308,608	308,608	0	0	0	0	308,608
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	179,308	179,308	179,308	0	0	0	90,519	88,789
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	0	0	0	0	0	0	0	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(218,227)	(218,227)	(218,227)	0	0	0	(110,165)	(108,062)
TOTAL DISTRIBUTION O & M	D341		3,763,746	3,763,745	3,763,746	0	1	0	1,497,607	2,266,138
CUSTOMER ACCOUNTING										
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	2,236,384	2,236,384	2,236,384	0	0	0	0	2,236,384
UNCOLLECTIBLE EXP	C302	KFUNC_REV	1,409,987	397,138	1,409,987	0	77,153	935,696	251,189	145,949
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	161,395	45,458	161,395	0	8,832	107,105	28,752	16,706
TOTAL CUSTOMER ACCT EXPENSE	C317		3,807,766	2,678,980	3,807,766	0	85,985	1,042,801	279,941	2,399,039

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	RS RESIDENTIAL	Cust Acctg	TOTAL DISTRIBUTION	TOTAL AT ISSUE	CUSTOMER w/o Mains
O&M EXPENSES	Schedule 6						
PRODUCTION O&M							
COMMODITY RELATED O&M							
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	55,721,204	0	0	55,721,204	
PURCHASED GAS & OTHER	P302	KPROD_COM	232,803	0	0	232,803	
TOTAL ENERGY RELATED	P341		55,954,007	0	0	55,954,007	
DEMAND RELATED PROD O&M							
ANNUALIZED GAS COST - DEMAND	P352	KPROD	3,746,160	0	0	3,746,160	
TOTAL DEMAND RELATED	P391		3,746,160	0	0	3,746,160	
OTHER THAN EN/DEM RELATED							
PRODUCTION EXPENSES	P400	KPROD	40,500	0	0	40,500	
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(4,004)	0	0	(4,004)	
TOTAL PROD OTHER THAN EN/DEM	P441		36,496	0	0	36,496	
TOTAL PRODUCTION O&M	P451		59,736,663	0	0	59,736,663	
TRANSMISSION O & M							
TRANSMISSION O & M	T318						
TOTAL TRANSMISSION O & M	T341		0	0	0	0	
DISTRIBUTION O & M							
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	239,339	0	239,338	239,339	
MAINS & SERVICES OPER	D302	KDIST_MA_D	971,171	0	971,171	971,171	
M & R STATION	D304	KDIST_STR_D	53,936	0	53,936	53,936	
CUSTOMER INST & OTHER	D306	KMTRS_CUS	1,244,339	0	1,244,339	1,244,339	
METERS & HOUSE REG	D308	KMTRS_CUS	235,296	0	235,296	235,296	
MAINS	D310	KDIST_MA_D	749,976	0	749,976	749,976	
SERVICES	D312	KSERV_CUS	308,608	0	308,608	308,608	
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	179,308	0	179,308	179,308	
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	0	0	0	0	
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(218,227)	0	(218,227)	(218,227)	
TOTAL DISTRIBUTION O & M	D341		3,763,746	0	3,763,745	3,763,746	Customer Related Uncollectible
CUSTOMER ACCOUNTING							
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	2,236,384	2,236,384	2,236,384	2,236,384	
UNCOLLECTIBLE EXP	C302	KFUNC_REV	1,409,987	40,961	397,138	1,409,987	119,173
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	161,395	4,688	45,458	161,395	13,641
TOTAL CUSTOMER ACCT EXPENSE	C317		3,807,766	2,282,033	2,678,980	3,807,766	132,814

Office of the Attorney General
Case No. 2005-00042
Residential Service
Customer Charge / Minimum Bill Rationale
Twelve Months Ending September 30, 2006

Line No.	Description	Amount
1	Capitalization allocated to Gas Operations	$45,448,810
2	Operating Expenses excluding Mains	$13,089,121
3	Less Customer Assigned Uncollectibles	($132,814)
4	Customer Operating Expenses	$12,956,307
5	Return at 7.312%	$3,323,388
6	Operating Expense plus Return	$16,279,695
7	Less Total Other Operating Revenues	($118,309)
8	Customer Cost Component (Revenue Requirement)	$16,161,386
9	Total Residential Customers	88,099
10	Annual Revenue / Customer	$183.45
11	Monthly Revenue / Customer	$15.29
12	Current Customer Charge	$8.30
13	Difference	$6.99
14	1/3 of Difference	$2.33
15	**Proposed Monthly Customer Charge**	**$10.63**

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	PRODUCTION / PROCUREMENT DEMAND	PRODUCTION / PROCUREMENT COMMODITY	DISTRIBUTION LAND,STRUCT & EQUIP DEMAND	DISTRIBUTION LAND, STRUCT & EQUIP CUSTOMER	DISTRIBUTION MAINS DEMAND	DISTRIBUTION MAINS CUSTOMER
SUMMARY OF RESULTS	Schedule 1								
NET INCOME COMPUTATION									
GROSS GAS PLANT IN SERVICE	GP11		55,870,644	767,646	148,780	1,311,622	0	31,874,078	8,990,125
TOTAL DEPRECIATION RESERVE	DR11		(16,386,160)	(403,275)	(76,153)	(755,292)	0	(8,653,958)	(2,440,859)
TOTAL RATE BASE ADJUSTMENTS	RB71		(5,200,390)	1,924,434	(2,148,222)	(67,700)	1	(3,440,060)	(971,928)
TOTAL RATE BASE	RB91		34,284,094	2,288,805	(2,075,595)	488,630	1	19,780,060	5,577,338
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	33,916,090	2,263,899	(2,053,280)	483,304	0	19,567,888	5,517,470
OPERATING EXPENSES									
TOTAL O&M EXPENSE	OM31		35,807,250	2,175,263	30,631,603	59,670	1	1,156,837	323,750
TOTAL DEPRECIATION EXPENSE	DE41		1,822,437	21,105	10,500	25,979	0	1,052,950	296,977
TOTAL OTHER TAX & MISC EXPENSE	L591		642,057	13,222	14,507	9,260	0	352,555	99,139
TOTAL OP EXP EXC INC & R TAX	OP81		38,271,744	2,209,590	30,656,610	94,909	1	2,562,342	719,866
NET FED INCOME TAX EXP ALLOWABLE	I879		1,752,605	119,233	(107,259)	24,608	0	1,010,750	284,994
NET STATE INCOME TAX EXP ALLOWABLE	J979		448,132	30,622	(28,333)	6,302	0	258,875	72,993
AFUDC OFFSET	LO33	KNET_CWIP	(71,380)	(429)	(433)	(1,667)	0	(40,537)	(11,434)
TOTAL OPERATING EXPENSE	OPEX		40,401,101	2,359,016	30,520,585	124,152	1	3,791,430	1,066,419
RETURN ON CAPITALIZATION	RC51		4,114,802	274,663	(249,110)	58,636	0	2,374,035	669,396
TOTAL OTHER OPERATING REVENUES	QO27		(241,785)	(15,652)	(175,497)	(1,212)	(5)	(42,113)	(2,359)
TOTAL GAS COST OF SERVICE	CS05		44,274,118	2,618,027	30,095,978	181,576	(4)	6,123,352	1,733,456
PROPOSED REVENUES	R602		44,274,118	3,316,711	30,296,333	209,461	1,773	7,287,567	1,021,607
EXCESS REVENUES	XREV		0	698,684	200,355	27,885	1,777	1,164,215	(711,849)
TOTAL RETURN EARNED	RETE		4,114,802	691,340	(129,623)	75,266	1,060	3,068,344	244,867
RATE OF RETURN EARNED ON CAP	RORE		0.121320	0.305380	0.063130	0.155730	0.000000	0.156810	0.044380
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.121323	0.121323	0.121323	0.121323	0.121323	0.121323	0.121323
RETURN EARNED ON COMMON EQUITY	REOE		0.17350	0.51171	0.06652	0.23670	0.00000	0.23868	0.03207
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		42,740,480	2,702,951	30,296,784	208,951	706	7,269,827	407,316
REVENUE INCREASE JUSTIFIED	RIJD		1,533,638	(84,924)	(200,806)	(27,375)	(710)	(1,146,475)	1,326,140
PER UNIT PRES REV	RIJP		0.03588	(0.03142)	(0.00663)	(0.13101)	(1.00567)	(0.15770)	3.25580
REVENUE INCREASE REQUESTED	RIRD		1,533,638	613,760	(451)	510	1,067	17,740	614,291
PER UNIT PRES REV	RIRP		0.03588	0.22707	(0.00001)	0.00244	1.51133	0.00244	1.50814

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	SERVICES CUSTOMERS	METERS CUSTOMERS	CUSTOMER ACCOUNTING	CUSTOMER SERVICE & INFO SYSTEMS	CUSTOMER SALES	BLANK
SUMMARY OF RESULTS	Schedule 1								
NET INCOME COMPUTATION									
GROSS GAS PLANT IN SERVICE	GP11		55,870,644	5,020,931	7,374,711	203,749	172,468	6,534	0
TOTAL DEPRECIATION RESERVE	DR11		(16,386,160)	(2,050,744)	(1,809,784)	(104,329)	(88,416)	(3,350)	0
TOTAL RATE BASE ADJUSTMENTS	RB71		(5,200,390)	(423,036)	(775,148)	647,953	51,004	2,312	0
TOTAL RATE BASE	RB91		34,284,094	2,547,151	4,789,779	747,373	135,056	5,496	0
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	33,916,090	2,519,965	4,738,417	739,371	133,629	5,427	0
OPERATING EXPENSES									
TOTAL O&M EXPENSE	OM31		35,807,250	141,033	721,326	357,930	228,153	11,684	0
TOTAL DEPRECIATION EXPENSE	DE41		1,822,437	135,949	251,984	14,379	12,154	460	0
TOTAL OTHER TAX & MISC EXPENSE	L591		642,057	46,350	83,866	12,336	10,429	393	0
TOTAL OP EXP EXC INC & R TAX	OP61		38,271,744	323,332	1,057,176	384,645	250,736	12,537	0
NET FED INCOME TAX EXP ALLOWABLE	I879		1,752,605	129,537	244,991	38,695	6,778	276	0
NET STATE INCOME TAX EXP ALLOWABLE	J979		448,132	33,177	62,749	9,937	1,739	71	0
AFUDC OFFSET	LO33	KNET_CWIP	(71,380)	(6,386)	(9,379)	(593)	(503)	(19)	0
TOTAL OPERATING EXPENSE	OPEX		40,401,101	479,660	1,355,537	432,684	258,750	12,865	0
RETURN ON CAPITALIZATION	RC51		4,114,802	305,730	574,879	89,703	16,212	658	0
TOTAL OTHER OPERATING REVENUES	QO27		(241,785)	(1,078)	(2,595)	(806)	(446)	(22)	0
TOTAL GAS COST OF SERVICE	CS05		44,274,118	784,312	1,927,821	521,581	274,516	13,501	0
PROPOSED REVENUES	R602		44,274,118	466,475	1,123,268	348,235	193,133	9,555	0
EXCESS REVENUES	XREV		0	(317,837)	(804,553)	(173,346)	(81,383)	(3,946)	0
TOTAL RETURN EARNED	RETE		4,114,802	116,180	95,064	(13,676)	(32,323)	(1,695)	0
RATE OF RETURN EARNED ON CAP	RORE		0.121320	0.046100	0.020060	(0.018500)	(0.241890)	(0.312330)	0.000000
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.121323	0.121323	0.121323	0.121323	0.121323	0.121323	0.121323
RETURN EARNED ON COMMON EQUITY	REOE		0.17350	0.03523	(0.01262)	(0.08349)	(0.49401)	(0.62346)	0.00000
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		42,740,480	185,984	447,848	138,842	77,003	3,810	0
REVENUE INCREASE JUSTIFIED	RIJD		1,533,638	598,328	1,479,973	382,739	197,513	9,691	0
PER UNIT PRES REV	RIJP		0.03588	3.21709	3.30463	2.75665	2.56500	2.54357	0.00000
REVENUE INCREASE REQUESTED	RIRD		1,533,638	280,491	675,420	209,393	116,130	5,745	0
PER UNIT PRES REV	RIRP		0.03588	1.50815	1.50815	1.50814	1.50812	1.50787	0.00000

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2006-00042

	ITEM	ALLO	GS GENERAL SERV	TOTAL DISTRIBUTION	TOTAL AT ISSUE	ALL OTHER	PRODUCTION DEMAND	PRODUCTION COMMODITY	DISTRIBUTION DEMAND	DISTRIBUTION CUSTOMER
SUMMARY OF RESULTS	Schedule 1									
NET INCOME COMPUTATION										
GROSS GAS PLANT IN SERVICE	GP11		55,870,644	54,954,218	55,870,644	0	767,646	148,780	33,185,700	21,768,518
TOTAL DEPRECIATION RESERVE	DR11		(16,386,160)	(15,906,732)	(16,386,160)	0	(403,275)	(76,153)	(9,409,250)	(6,497,482)
TOTAL RATE BASE ADJUSTMENTS	RB71		(5,200,390)	(4,976,602)	(5,200,390)	0	1,924,434	(2,148,222)	(3,507,760)	(1,468,842)
TOTAL RATE BASE	RB91		34,284,094	34,070,884	34,284,094	0	2,288,805	(2,075,595)	20,268,690	13,802,194
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	33,916,090	33,705,471	33,916,090	0	2,263,899	(2,053,280)	20,051,192	13,654,279
OPERATING EXPENSES										
TOTAL O&M EXPENSE	OM31		35,807,250	3,000,384	35,807,250	0	2,175,263	30,631,603	1,216,507	1,783,877
TOTAL DEPRECIATION EXPENSE	DE41		1,822,437	1,790,832	1,822,437	0	21,105	10,500	1,078,929	711,903
TOTAL OTHER TAX & MISC EXPENSE	L591		642,057	614,328	642,057	0	13,222	14,507	361,815	252,513
TOTAL OP EXP EXC INC & R TAX	OP61		38,271,744	5,405,544	38,271,744	0	2,209,590	30,656,610	2,657,251	2,748,293
NET FED INCOME TAX EXP ALLOWABLE	I879		1,752,605	1,740,629	1,752,603	2	119,233	(107,259)	1,035,358	705,271
NET STATE INCOME TAX EXP ALLOWABLE	J979		448,132	445,843	448,132	0	30,622	(28,333)	265,177	180,666
AFUDC OFFSET	LO33	KNET_CWIP	(71,380)	(70,518)	(71,380)	0	(429)	(433)	(42,204)	(28,314)
TOTAL OPERATING EXPENSE	OPEX		40,401,101	7,521,498	40,401,099	2	2,359,016	30,520,585	3,915,582	3,605,916
RETURN ON CAPITALIZATION	RC51		4,114,802	4,089,249	4,114,802	0	274,663	(249,110)	2,432,671	1,656,578
TOTAL OTHER OPERATING REVENUES	QO27		(241,785)	(50,636)	(241,785)	0	(15,652)	(175,497)	(43,325)	(7,311)
TOTAL GAS COST OF SERVICE	CS05		44,274,118	11,560,111	44,274,116	2	2,618,027	30,095,978	6,304,928	5,255,183
PROPOSED REVENUES	R602		44,274,118	10,661,074	44,274,118	0	3,316,711	30,296,333	7,497,028	3,164,046
EXCESS REVENUES	XREV		0	(899,037)	2	(2)	698,684	200,355	1,192,100	(2,091,137)
TOTAL RETURN EARNED	RETE		4,114,802	3,553,087	4,114,804	(1)	691,340	(129,623)	3,143,610	409,477
RATE OF RETURN EARNED ON CAP	RORE		0.121320	0.105420	0.120020	0.000000	0.305380	0.063130	0.156780	0.029990
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.121323	0.121323	0.121323	0.121323	0.121323	0.121323	0.121323	0.121323
RETURN EARNED ON COMMON EQUITY	REOE		0.17350	0.14424	0.17107	0.00000	0.51171	0.06652	0.23862	0.00562
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200	0.11200
PRESENT REVENUES	R600		42,740,480	8,740,287	41,740,022	1,000,458	2,702,951	30,296,784	7,478,778	1,261,509
REVENUE INCREASE JUSTIFIED	RIJD		1,533,638	2,819,824	2,534,094	(1,000,456)	(84,924)	(200,806)	(1,173,850)	3,993,674
PER UNIT PRES REV	RIJP		0.03588	0.32262	0.06071	(1.00000)	(0.03142)	(0.00663)	(0.15696)	3.16579
REVENUE INCREASE REQUESTED	RIRD		1,533,638	1,920,787	2,534,096	(1,000,458)	613,760	(451)	18,250	1,902,537
PER UNIT PRES REV	RIRP		0.03588	0.21976	0.06071	(1.00000)	0.22707	(0.00001)	0.00244	1.50814

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	Cust Acctg	TOTAL DISTRIBUTION	TOTAL AT ISSUE	CUSTOMER w/o Mains
SUMMARY OF RESULTS	Schedule 1						
NET INCOME COMPUTATION							
GROSS GAS PLANT IN SERVICE	GP11		55,870,644	382,751	54,954,218	55,870,644	
TOTAL DEPRECIATION RESERVE	DR11		(16,386,160)	(196,095)	(15,906,732)	(16,386,160)	
TOTAL RATE BASE ADJUSTMENTS	RB71		(5,200,390)	701,269	(4,976,602)	(5,200,390)	
TOTAL RATE BASE	RB91		34,284,094	887,925	34,070,884	34,284,094	
CAPITALIZATION ALLOC TO GAS OPER	GCAP	KRATE_BASE	33,916,090	878,427	33,705,471	33,916,090	8,136,809
OPERATING EXPENSES							
TOTAL O&M EXPENSE	OM31		35,807,250	597,767	3,000,384	35,807,250	
TOTAL DEPRECIATION EXPENSE	DE41		1,822,437	26,993	1,790,832	1,822,437	
TOTAL OTHER TAX & MISC EXPENSE	L591		642,057	23,158	614,328	642,057	
TOTAL OP EXP EXC INC & R TAX	OP81		38,271,744	647,918	5,405,544	38,271,744	
NET FED INCOME TAX EXP ALLOWABLE	I879		1,752,605	45,749	1,740,629	1,752,603	
NET STATE INCOME TAX EXP ALLOWABLE	J979		448,132	11,747	445,843	448,132	
AFUDC OFFSET	LO33	KNET_CWIP	(71,380)	(1,115)	(70,518)	(71,380)	
TOTAL OPERATING EXPENSE	OPEX		40,401,101	704,299	7,521,498	40,401,099	2,539,496
RETURN ON CAPITALIZATION	RC51		4,114,802	106,573	4,089,249	4,114,802	
TOTAL OTHER OPERATING REVENUES	QO27		(241,785)	(1,274)	(50,636)	(241,785)	
TOTAL GAS COST OF SERVICE	CS05		44,274,118	809,598	11,560,111	44,274,116	
PROPOSED REVENUES	R602		44,274,118	550,923	10,661,074	44,274,118	
EXCESS REVENUES	XREV		0	(258,675)	(899,037)	2	
TOTAL RETURN EARNED	RETE		4,114,802	(48,359)	3,553,087	4,114,804	
RATE OF RETURN EARNED ON CAP	RORE		0.121320	(0.055050)	0.105420	0.121320	
TOTAL RATE OF RETURN ALLOWABLE	RORA		0.121323	0.121323	0.121323	0.121323	
RETURN EARNED ON COMMON EQUITY	REOE		0.17350	(0.15065)	0.14424	0.17346	
ALLOWED RETURN ON COMMON EQUITY	AROE		0.11200	0.11200	0.11200	0.11200	
PRESENT REVENUES	R600		42,740,480	219,655	8,740,287	41,740,022	
REVENUE INCREASE JUSTIFIED	RIJD		1,533,638	589,943	2,819,824	2,534,094	
PER UNIT PRES REV	RIJP		0.03588	2.68577	0.32262	0.06071	
REVENUE INCREASE REQUESTED	RIRD		1,533,638	331,268	1,920,787	2,534,096	
PER UNIT PRES REV	RIRP		0.03588	1.50813	0.21976	0.06071	

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	PRODUCTION / PROCUREMENT DEMAND	PRODUCTION / PROCUREMENT COMMODITY	DISTRIBUTION LAND,STRUCT & EQUIP DEMAND	DISTRIBUTION LAND, STRUCT & EQUIP CUSTOMER	DISTRIBUTION MAINS DEMAND	DISTRIBUTION MAINS CUSTOMER
O&M EXPENSES	Schedule 6								
PRODUCTION O&M									
COMMODITY RELATED O&M									
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	30,342,685	0	30,342,685	0	0	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	126,772	0	126,772	0	0	0	0
TOTAL ENERGY RELATED	P341		30,469,457	0	30,469,457	0	0	0	0
DEMAND RELATED PROD O&M									
ANNUALIZED GAS COST - DEMAND	P352	KPROD	2,039,951	2,039,951	0	0	0	0	0
TOTAL DEMAND RELATED	P391		2,039,951	2,039,951	0	0	0	0	0
OTHER THAN EN/DEM RELATED									
PRODUCTION EXPENSES	P400	KPROD	18,698	18,698	0	0	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(1,848)	(1,848)	0	0	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		16,850	16,850	0	0	0	0	0
TOTAL PRODUCTION O&M	P451		32,526,258	2,056,801	30,469,457	0	0	0	0
TRANSMISSION O & M									
TRANSMISSION O & M	T318								
TOTAL TRANSMISSION O & M	T341		0	0	0	0	0	0	0
DISTRIBUTION O & M									
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	130,335	0	0	1,843	0	77,912	21,974
MAINS & SERVICES OPER	D302	KDIST_MA_D	248,289	0	0	0	0	193,665	54,624
M & R STATION	D304	KDIST_STR_D	24,965	0	0	24,965	0	0	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	431,155	0	0	0	0	0	0
METERS & HOUSE REG	D308	KMTRS_CUS	115,502	0	0	0	0	0	0
MAINS	D310	KDIST_MA_D	259,862	0	0	0	0	202,692	57,170
SERVICES	D312	KSERV_CUS	24,938	0	0	0	0	0	0
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	51,646	0	0	730	0	30,873	8,708
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	4,844	0	0	4,844	0	0	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(58,843)	0	0	(832)	0	(35,175)	(9,921)
TOTAL DISTRIBUTION O & M	D341		1,232,693	0	0	31,550	0	469,967	132,555
CUSTOMER ACCOUNTING									
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	199,481	0	0	0	0	0	0
UNCOLLECTIBLE EXP	C302	KFUNC_REV	57,832	3,744	41,977	290	1	10,073	564
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	6,620	428	4,805	33	0	1,153	65
TOTAL CUSTOMER ACCT EXPENSE	C317		263,933	4,172	46,782	323	1	11,226	629

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	SERVICES CUSTOMERS	METERS CUSTOMERS	CUSTOMER ACCOUNTING	CUSTOMER SERVICE & INFO SYSTEMS	CUSTOMER SALES	BLANK
O&M EXPENSES	Schedule 6								
PRODUCTION O&M									
COMMODITY RELATED O&M									
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	30,342,685	0	0	0	0	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	126,772	0	0	0	0	0	0
TOTAL ENERGY RELATED	P341		30,469,457	0	0	0	0	0	0
DEMAND RELATED PROD O&M									
ANNUALIZED GAS COST - DEMAND	P352	KPROD	2,039,951	0	0	0	0	0	0
TOTAL DEMAND RELATED	P391		2,039,951	0	0	0	0	0	0
OTHER THAN EN/DEM RELATED									
PRODUCTION EXPENSES	P400	KPROD	18,698	0	0	0	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(1,848)	0	0	0	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		16,850	0	0	0	0	0	0
TOTAL PRODUCTION O&M	P451		32,526,258	0	0	0	0	0	0
TRANSMISSION O & M									
TRANSMISSION O & M	T318								
TOTAL TRANSMISSION O & M	T341		0	0	0	0	0	0	0
DISTRIBUTION O & M									
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	130,335	9,922	18,684	0	0	0	0
MAINS & SERVICES OPER	D302	KDIST_MA_D	248,289	0	0	0	0	0	0
M & R STATION	D304	KDIST_STR_D	24,965	0	0	0	0	0	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	431,155	0	431,155	0	0	0	0
METERS & HOUSE REG	D308	KMTRS_CUS	115,502	0	115,502	0	0	0	0
MAINS	D310	KDIST_MA_D	259,862	0	0	0	0	0	0
SERVICES	D312	KSERV_CUS	24,938	24,938	0	0	0	0	0
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	51,646	3,932	7,403	0	0	0	0
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	4,844	0	0	0	0	0	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(58,843)	(4,480)	(8,435)	0	0	0	0
TOTAL DISTRIBUTION O & M	D341		1,232,693	34,312	564,309	0	0	0	0
CUSTOMER ACCOUNTING									
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	199,481	0	0	199,481	0	0	0
UNCOLLECTIBLE EXP	C302	KFUNC_REV	57,832	258	621	193	106	5	0
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	6,620	30	71	22	12	1	0
TOTAL CUSTOMER ACCT EXPENSE	C317		263,933	288	692	199,696	118	6	0

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	TOTAL DISTRIBUTION	TOTAL AT ISSUE	ALL OTHER	PRODUCTION DEMAND	PRODUCTION COMMODITY	DISTRIBUTION DEMAND	DISTRIBUTION CUSTOMER
O&M EXPENSES	Schedule 6									
PRODUCTION O&M										
COMMODITY RELATED O&M										
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	30,342,685	0	30,342,685	0	0	30,342,685	0	0
PURCHASED GAS & OTHER	P302	KPROD_COM	126,772	0	126,772	0	0	126,772	0	0
TOTAL ENERGY RELATED	P341		30,469,457	0	30,469,457	0	0	30,469,457	0	0
DEMAND RELATED PROD O&M										
ANNUALIZED GAS COST - DEMAND	P352	KPROD	2,039,951	0	2,039,951	0	2,039,951	0	0	0
TOTAL DEMAND RELATED	P391		2,039,951	0	2,039,951	0	2,039,951	0	0	0
OTHER THAN EN/DEM RELATED										
PRODUCTION EXPENSES	P400	KPROD	18,698	0	18,698	0	18,698	0	0	0
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(1,848)	0	(1,848)	0	(1,848)	0	0	0
TOTAL PROD OTHER THAN EN/DEM	P441		16,850	0	16,850	0	16,850	0	0	0
TOTAL PRODUCTION O&M	P451		32,526,258	0	32,526,258	0	2,056,801	30,469,457	0	0
TRANSMISSION O & M										
TRANSMISSION O & M	T318									
TOTAL TRANSMISSION O & M	T341		0		0	0	0	0	0	0
DISTRIBUTION O & M										
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	130,335	130,335	130,335	0	0	0	79,755	50,580
MAINS & SERVICES OPER	D302	KDIST_MA_D	248,289	248,289	248,289	0	0	0	193,665	54,624
M & R STATION	D304	KDIST_STR_D	24,965	24,965	24,965	0	0	0	24,965	0
CUSTOMER INST & OTHER	D306	KMTRS_CUS	431,155	431,155	431,155	0	0	0	0	431,155
METERS & HOUSE REG	D308	KMTRS_CUS	115,502	115,502	115,502	0	0	0	0	115,502
MAINS	D310	KDIST_MA_D	259,862	259,862	259,862	0	0	0	202,692	57,170
SERVICES	D312	KSERV_CUS	24,938	24,938	24,938	0	0	0	0	24,938
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	51,646	51,646	51,646	0	0	0	31,603	20,043
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	4,844	4,844	4,844	0	0	0	4,844	0
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(58,843)	(58,843)	(58,843)	0	0	0	(36,007)	(22,836)
TOTAL DISTRIBUTION O & M	D341		1,232,693	1,232,693	1,232,693	0	0	0	501,517	731,176
CUSTOMER ACCOUNTING										
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	199,481	199,481	199,481	0	0	0	0	199,481
UNCOLLECTIBLE EXP	C302	KFUNC_REV	57,832	12,111	57,832	0	3,744	41,977	10,363	1,748
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	6,620	1,387	6,620	0	428	4,805	1,186	201
TOTAL CUSTOMER ACCT EXPENSE	C317		263,933	212,979	263,933	0	4,172	46,782	11,549	201,430

OFFICE OF THE ATTORNEY GENERAL
COST OF SERVICE STUDY - PEAK & AVG - PEAK DAY BY FUNCTION
TWELVE MONTHS ENDING SEPTEMBER 30, 2006
GAS CASE NO: 2005-00042

	ITEM	ALLO	GS GENERAL SERV	Cust Acctg	TOTAL DISTRIBUTION	TOTAL AT ISSUE	CUSTOMER w/o Mains
O&M EXPENSES	Schedule 6						
PRODUCTION O&M							
COMMODITY RELATED O&M							
ANNUALIZED GAS COST - COMMODITY	P300	KPROD_COM	30,342,685	0	0	30,342,685	
PURCHASED GAS & OTHER	P302	KPROD_COM	126,772	0	0	126,772	
TOTAL ENERGY RELATED	P341		30,469,457	0	0	30,469,457	
DEMAND RELATED PROD O&M							
ANNUALIZED GAS COST - DEMAND	P352	KPROD	2,039,951	0	0	2,039,951	
TOTAL DEMAND RELATED	P391		2,039,951	0	0	2,039,951	
OTHER THAN EN/DEM RELATED							
PRODUCTION EXPENSES	P400	KPROD	18,698	0	0	18,698	
ELIM OTHER THAN ULH&P PORTION	P402	KPROD	(1,848)	0	0	(1,848)	
TOTAL PROD OTHER THAN EN/DEM	P441		16,850	0	0	16,850	
TOTAL PRODUCTION O&M	P451		32,526,258	0	0	32,526,258	
TRANSMISSION O & M							
TRANSMISSION O & M	T318						
TOTAL TRANSMISSION O & M	T341		0	0	0	0	
DISTRIBUTION O & M							
LOAD DISPATCH, RENTS	D300	KNET_PLNT_DIST	130,335	0	130,335	130,335	
MAINS & SERVICES OPER	D302	KDIST_MA_D	248,289	0	248,289	248,289	
M & R STATION	D304	KDIST_STR_D	24,965	0	24,965	24,965	
CUSTOMER INST & OTHER	D306	KMTRS_CUS	431,155	0	431,155	431,155	
METERS & HOUSE REG	D308	KMTRS_CUS	115,502	0	115,502	115,502	
MAINS	D310	KDIST_MA_D	259,862	0	259,862	259,862	
SERVICES	D312	KSERV_CUS	24,938	0	24,938	24,938	
SUPV, ENG & OTHER	D314	KNET_PLNT_DIST	51,646	0	51,646	51,646	
M & R, INDUSTRIAL	D316	KDIST_LRGIND_D	4,844	0	4,844	4,844	
ELIMIN OTHER THAN ULH&P PORTION	D318	KNET_PLNT_DIST	(58,843)	0	(58,843)	(58,843)	
TOTAL DISTRIBUTION O & M	D341		1,232,693	0	1,232,693	1,232,693	Customer Related Uncollectible
CUSTOMER ACCOUNTING							
TOT CUST ACCT EXP EXCLUD UNCOLL EXP	C300	KCUST_ACCTG	199,481	199,481	199,481	199,481	
UNCOLLECTIBLE EXP	C302	KFUNC_REV	57,832	304	12,111	57,832	1,183
ANNUALIZED UNCOLL EXP ADJ	C304	KFUNC_REV	6,620	35	1,387	6,620	136
TOTAL CUSTOMER ACCT EXPENSE	C317		263,933	199,820	212,979	263,933	1,319

Office of the Attorney General
Case No. 2005-00042
General Service
Customer Charge / Minimum Bill Rationale
Twelve Months Ending September 30, 2006

Line No.	Description	Amount
1	Capitalization allocated to Gas Operations	$8,136,809
2	Operating Expenses	$2,539,496
3	Less Customer Assigned Uncollectibles	($1,319)
4	Customer Operating Expenses	$2,538,177
5	Return at 7.312%	$594,994
6	Operating Expense plus Return	$3,133,171
7	Less Total Other Operating Revenues	(24,958)
8	Customer Cost Component (Revenue Requirement)	$3,108,213
9	Total General Service Customers	6,849
10	Annual Revenue / Customer	$453.82
11	Monthly Revenue / Customer	$37.82
12	Current Customer Charge	$15.35
13	Difference	$22.47
14	1/3 of Difference	$7.49
15	**Proposed Monthly Customer Charge**	**$22.84**

OFFICE OF THE ATTORNEY GENERAL
CALCULATION OF RECONNECTION CHARGE
GAS CASE NO: 2005-00042

Current Reconnection Charge	
Gas Only =	$15.00
Gas and Electric =	$21.00
Current Reconnection Revenues =	$7,000
AG Overall Proposed Rate Increase	2.715%
Proposed Reconnection Charge	
Gas Only =	$15.41
Gas and Electric =	$21.57
Proposed Reconnection Revenues =	$7,190

278.183 Surcharge to recover costs of compliance with environmental requirements for coal combustion wastes and by-products -- Environmental compliance plan, review and adjustment.

(1) Notwithstanding any other provision of this chapter, effective January 1, 1993, a utility shall be entitled to the current recovery of its costs of complying with the Federal Clean Air Act as amended and those federal, state, or local environmental requirements which apply to coal combustion wastes and by-products from facilities utilized for production of energy from coal in accordance with the utility's compliance plan as designated in subsection (2) of this section. These costs shall include a reasonable return on construction and other capital expenditures and reasonable operating expenses for any plant, equipment, property, facility, or other action to be used to comply with applicable environmental requirements set forth in this section. Operating expenses include all costs of operating and maintaining environmental facilities, income taxes, property taxes, other applicable taxes, and depreciation expenses as these expenses relate to compliance with the environmental requirements set forth in this section.

(2) Recovery of costs pursuant to subsection (1) of this section that are not already included in existing rates shall be by environmental surcharge to existing rates imposed as a positive or negative adjustment to customer bills in the second month following the month in which costs are incurred. Each utility, before initially imposing an environmental surcharge pursuant to this subsection, shall thirty (30) days in advance file a notice of intent to file said plan and subsequently submit to the commission a plan, including any application required by KRS 278.020(1), for complying with the applicable environmental requirements set forth in subsection (1) of this section. The plan shall include the utility's testimony concerning a reasonable return on compliance-related capital expenditures and a tariff addition containing the terms and conditions of a proposed surcharge as applied to individual rate classes. Within six (6) months of submittal, the commission shall conduct a hearing to:

(a) Consider and approve the plan and rate surcharge if the commission finds the plan and rate surcharge reasonable and cost-effective for compliance with the applicable environmental requirements set forth in subsection (1) of this section;

(b) Establish a reasonable return on compliance-related capital expenditures; and

(c) Approve the application of the surcharge.

(3) The amount of the monthly environmental surcharge shall be filed with the commission ten (10) days before it is scheduled to go into effect, along with supporting data to justify the amount of the surcharge which shall include data and information as may be required by the commission. At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section. Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall disallow improper expenses, and to

the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of each utility.

(4) The commission may employ competent, qualified independent consultants to assist the commission in its review of the utility's plan of compliance as specified in subsection (2) of this section. The cost of any consultant shall be included in the surcharge approved by the commission.

(5) The commission shall retain all jurisdiction granted by this section and KRS 278.020 to review the environmental surcharge authorized by this section and any complaints as to the amount of any environmental surcharge or the incorporation of any environmental surcharge into the existing base rate of any utility.

Effective: July 14, 1992

History: Created 1992 Ky. Acts ch. 102, sec. 1, effective July 14, 1992.