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May 27, 2005

RECEIVED
MAY 27 2005
PUBLIC SERVICE COMMISSION

Hon. Beth A. O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40601

Re: Equitable Production Company
Case No 2005-00160

Dear Ms. O'Donnell:

We submit herewith for filing an original and six copies of the Responses of Equitable Production Company to the Initial Data Requests of the Commission Staff in the above-captioned case. Thank you for your attention to this matter.

Sincerely,

Robert Watt

Robert M. Watt, III

Rmw
Encl.
Cc: Daniel L. Frutchey, Esq. (w/encl.)
Sandra Fraley, Esq. (w/encl.)
Mr. John M. Quinn (w/encl.)
Intervenors (w/encl.)

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

MAY 27 2005

PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EQUITABLE PRODUCTION COMPANY TO INCREASE RATES PURSUANT TO KRS 278.485 AND 807 KAR 5:026, SECTION 9	))))	CASE NO. 2005-00160

* * * * * * * * * *

RESPONSES OF EQUITABLE PRODUCTION COMPANY TO INITIAL DATA REQUEST OF COMMISSION STAFF

FILED: MAY 27, 2005

CERTIFICATE OF SERVICE

This is to certify that the attached Responses have been served by mailing a copy of same, postage prepaid to the following persons on this 27th day of May 2005:

Tivis and Esther Newsome
2064 Little Robinson Creek
Virgie, KY 41572

Randall Tracy
P.O. Box 116
Pinsonfork, KY 41555

Robert Water

Counsel for Equitable Production Company

Response to Interrogatories
Public Service Commission of Kentucky

Item: STAFF-I-1

Refer to Original Sheet No. 2 of the proposed Gas Cost Adjustment Clause ("GCA").

a. The Expected Gas Cost ("EGC") component states that the EGC will represent the estimated cost of purchased gas. For the years 2000 through 2004, provide the following information for Equitable Production:

(1) Gas volumes (Mcf) sales to retail customers.

(2) Gas volumes (Mcf) produced.

(3) Gas volumes (Mcf) purchased.

b. Provide the percentage of gas that Equitable Production anticipates it will purchase, rather than produce, to supply its retail customers in the future.

c. The Actual Cost Adjustment ("ACA") states that the purchased gas volume will be calculated by applying an applicable Btu conversion factor and retainage rate to the actual sales volume. Provide the source of the BTU conversion factor and retainage rate and explain why the purchased volume must be calculated, rather than directly measured.

d. Provide a detailed narrative explanation of why a gas production company has need for a GCA mechanism.

Response:

a. (1 – 3) Please see the attached spreadsheet "Attachment 1-A".

The Company changed the system used to bill its customers beginning January 2003. Equitable was able to retrieve sales volume information for the years 2003 and 2004. However, the previous billing system and historic sales data is no longer accessible. As a result, sales volumes for the period January 2000 through May 2001 could not be retrieved. Sales volumes for the period June 2001 through December 2002 were retrieved from data filed in Case No. 2003-00317.

While billing records are not available, the Company was able to determine that there have been no significant changes to the type and number of retail customers served. Thus, for the period January 2000 through May 2001 an estimate of sales volumes has been calculated relying on customer usage patterns during 2004 and actual heating degree days for the period January 2000 through May 2001.

b. The percentage of gas that Equitable Production will purchase rather than produce will not deviate significantly from the historic five-year period. Gas purchased by Equitable is utilized to supply its retail customers. Therefore, 100% of the supply used to serve these customers is purchased from third party suppliers.

c. The source of the Btu conversion factor and retainage rate are the approximate values determined at year-end 2004. "Attachment 1-B" shows the calculation of an average retainage rate and Btu conversion factor for the full year 2004. The retainage level was calculated by determining the system average difference between monthly receipts into the Company's system and deliveries into the Columbia Gas Transmission system. The average Btu factors were obtained by samples taken throughout the Company's system and sent to an independent laboratory (Gas Analytical) for analysis. In both cases the average for the year exceed the value used in the filing.

   The purchased volumes must be calculated because the volumes purchased (in Dth) for the Company's system exceed the volumes actually consumed (in Mcf) by the retail customers included in this filing.

d. Equitable produces natural gas, purchases third party gas, and transports its production and third party gas through its gathering system. Based on these activities, there are several reasons why Equitable believes that a GCA mechanism is appropriate for use by the Company. First, Equitable purchases third party gas to serve its retail customers. Thus, a published independent market price is available to establish an appropriate gas cost rate to be charged to the Company's retail customers. Second, market prices for natural gas have been extremely volatile over the last several years. As a result of this volatility, the Company believes that a GCA mechanism is an appropriate remedy to ensure that an appropriate market price signal is provided to retail customers. Third, the use of a GCA mechanism eliminates the risk of the Company over or under recovering gas costs and eliminates cross subsidization. This provides the ability for the Company to budget its resources more efficiently. Fourth, the use of a GCA mechanism would eliminate the need for the Company to file frequent rate cases which attempt to capture and reflect a more current market gas cost rate.

Equitable Production Company
Case No. 2005-00160
Attachment 1 - A

Sales MCF

Year			degree days
2000	(a)	139,886	4,409
2001	(a)	127,992	3,973
2002		138,198	4,180
2003		137,432	4,286
2004		115,631	3,860

Produced MCF

Year	
2000	17,799,757
2001	16,520,068
2002	15,137,906
2003	14,887,399
2004	15,111,890

Purchased MCF

Year	
2000	1,307,782
2001	1,193,413
2002	1,114,277
2003	1,051,790
2004	1,100,627

Note (a) The sales volumes were estimated for the period January 2000 through May 2001.

Equitable Production Company
Case No. 2005-00160
Attachment 1 - B

	Gross Receipts MCF	Gross Deliveries MCF	Shrink
1/1/2004	1,262,146	1,173,787	7.0%
2/1/2004	1,219,587	1,129,015	7.4%
3/1/2004	1,211,887	1,166,493	3.7%
4/1/2004	1,269,375	1,148,918	9.5%
5/1/2004	1,195,084	1,114,183	6.8%
6/1/2004	1,217,623	1,094,245	10.1%
7/1/2004	1,311,244	1,175,092	10.4%
8/1/2004	1,302,596	1,164,433	10.6%
9/1/2004	1,251,486	1,133,006	9.5%
10/1/2004	1,312,942	1,215,102	7.5%
11/1/2004	1,271,073	1,188,556	6.5%
12/1/2004	1,286,848	1,203,196	6.5%
	15,111,890	13,906,027	8.0%

	Gross Deliveries MCF	Gross Deliveries DTH	Avg BTU
1/1/2004	1,173,787	1,388,606	1.183
2/1/2004	1,129,015	1,337,875	1.185
3/1/2004	1,166,493	1,385,031	1.187
4/1/2004	1,148,918	1,368,578	1.191
5/1/2004	1,114,183	1,318,669	1.184
6/1/2004	1,094,245	1,295,212	1.184
7/1/2004	1,175,092	1,400,197	1.192
8/1/2004	1,164,433	1,379,968	1.185
9/1/2004	1,133,006	1,324,658	1.169
10/1/2004	1,215,102	1,438,780	1.184
11/1/2004	1,188,556	1,397,416	1.176
12/1/2004	1,203,196	1,413,672	1.175
	13,906,027	16,448,662	1.183

Note:
Gross Receipts represents the total measurement at the wells.
Gross Deliveries represents the total measurement at Columbia Transmission.

Equitable Production Company
Case No. 2005-00160
Prepared by: John M. Quinn
Title: Director of Rates
Item: STAFF-I-2

Response to Interrogatories
Public Service Commission of Kentucky

Item: STAFF-I-2

Refer to Schedule B. For clarification explain whether the proposed adjustment pertains only to the gas portion of the overall rate.

Response:

The proposed adjustment in this case reflects increases in gas costs only. Schedule B.1 details the determination of the proposed gas cost of $7.07/Mcf, a two-year average utilizing the TCO Appalachia Index. Schedule D details the proposed total rate of $8.534/Mcf (proposed gas costs of $7.070/Mcf plus the existing base rate of $1.464/Mcf).

Equitable Production Company
Case No. 2005-00160
Prepared by: John M. Quinn
Title: Director of Rates
Item: STAFF-I-3

Response to Interrogatories
Public Service Commission of Kentucky

Item: STAFF-I-3

Provide the latest gas analysis of dry gas for Equitable Production in Kentucky. Include thermal values per unit volume from all the compressor stations that deliver gas.

Response:

Please see the attached schedule.

Equitable Production Company
Case No. 2005-00160
Response to Item 3

Facility Name	Enertia Code	Btu	Comment
Biggs Branch #2 Rental	801676	1.102	
Bigggs Branch#1	801676	1.102	
Blackberry #1	009754	1.618	
Buffalo	720-0001	N/A	no current sample.
Canada #1	000819	N/A	no current sample.
Canada #2	000819	N/A	no current sample.
Canada #4	000819	N/A	no current sample.
Canada JV	000819	N/A	no current sample.
Rockhouse	18MS	N/A	no current sample.
Rockhouse	18MS	N/A	no current sample.
Rockhouse booster	18MS	N/A	no current sample.
Daniels Br	10N12	N/A	no current sample.
Daniels Br	10N12	N/A	no current sample.
Carrs Fork #1	000704	1.306	
Carrs Fork #2	000704	1.306	
Chesapeake Mineral B	000720	1.148	
E J Evans	000746	1.000	
Mason Coal & Coke	000102	1.104	
EKR	000745	N/A	no current sample.
Mayo Dingus	000757	N/A	no current sample.
Phelps	000744	N/A	no current sample.
Pike West #1	000788	N/A	no current sample.
Pike West #2	000788	N/A	no current sample.
Pike West #3	000788	N/A	no current sample.
Push Back	801122	1.299	
Right Beaver #1	10X	1.302	
Robinson	001010	N/A	no current sample.
Slaters Branch	000755	N/A	no current sample.
Meta	127	1.268	