

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

FILED
OCT 12 2006
PUBLIC SERVICE
COMMISSION

In the Matter of:

**THE NOTICE OF PROPOSED RATE
CHANGE FOR INTERSTATE NATURAL
GAS COMPANY**

CASE NO. 2006-00122

**PETITION OF INTERSTATE NATURAL GAS COMPANY
FOR
CONFIDENTIAL TREATMENT OF DATA REQUEST RESPONSES**

Comes Interstate Natural Gas Company (“Interstate”), by counsel, and, pursuant to this Commission’s regulations as set forth in 807 KAR 5:001, Section 7, requests confidential treatment of certain information submitted in response to the “Second Data Request of Commission Staff to Interstate Natural Gas Company”. Specifically, Interstate requests that all information contained in Exhibits “A” and “B” provided in response to Data Request Nos. 1.a., 1.b. and 1.c. remain confidential.

Data Request No. 1.a. asks that Interstate “Provide the monthly prices for each of the 24 months used to develop the figure provided in the response” [showing Interstate’s monthly sales volumes, prices and revenue for that 24 month period]. Data Request No. 1.b. asks that Interstate “Provide copies of the contracts that Interstate entered into with purchasers of Interstate’s gas over the 24 month period.” Data Request No. 1.c. asks that Interstate “Provide copies of all contracts Interstate currently has for purchase of its gas that are not included in the previous response.” The information requested by these data requests is contained in the aforesaid Exhibits “A” and “B” . In requesting confidential treatment for the information contained in these Exhibits, Interstate relies on the public record exemptions contained in KRS 61.878(1)(a) and KRS 61.878(1)(c)1.

First Ground for Exemption

KRS 61.878(1)(a) provides for public record exemption for “Public records containing information of a personal nature where the public disclosure thereof would constitute a clearly unwarranted invasion of personal privacy.” Interstate is a partnership comprised of two individuals. To make public the financial information contained in Exhibits “A” and “B” would make public the basis for the partners’ gross income for the period. Certainly, the public revelation of such information would constitute an “invasion of personal privacy”.

Turning to the question of whether such an invasion of personal privacy would be “unwarranted” in this case, Interstate submits that it clearly would be. During discussions of the relevancy of these Data Requests with Commission Staff, Interstate’s counsel was advised that the Commission was making these data requests to establish a database of such information from larger farm-tap providers. This being the case, there is no need for this information to be seen by anyone outside the Commission. Interstate has no objection to providing the information in question to the Commission for its internal use, but strongly objects to such information being made public.

Finally in this regard, Interstate notes that there are no intervenors in this Case. To make this personal information available to the public in a proceeding in which Interstate and the Commission are the only participants would serve no good purpose.

Second Ground for Exemption

61.878(1)(c)1. provides for public record exemption for “...records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records”. Interstate submits that the information contained in Exhibits “A” and “B” is both confidential and proprietary, *per se*, as it is information belonging to the Interstate which is related to Interstate’s most vital business relationships and gas production and income. Further, to make such information public would provide Interstate’s competitors with an unfair commercial advantage.

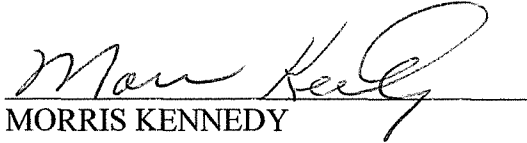
Interstate operates a natural gas and oil exploration and production business in eastern Kentucky. In order to continue in business, Interstate must effectively compete daily for leasehold rights in this highly competitive region. To allow Interstate's competitors access to its gas purchasers' identities, contract terms, sales volumes and revenues for the past 24 months would clearly permit an unfair commercial advantage to its competitors. For example, an entity competing with Interstate for a particular lease could single out the average per Mcf revenue figure of \$7.89 per Mcf provided by Interstate in Exhibit "A" and argue that the Interstate sales price is lower than the competitor's and thus not as advantageous to the mineral lessor. Of course, in so arguing, the competitor may conveniently fail to point out that the Interstate revenue figure is an average number going back over a 24 month period of time not reflective of today's higher market prices, while possibly using for comparative purposes the competitor's revenue figures for a different, more recent, period when prices were much higher.

The foregoing is but one example of many possible uses competitors could make of the information provided in Exhibits "A" and "B". The point is, the competitor would have a benchmark from Interstate, given great credibility by the fact that it is a figure reported to the Commission in an official proceeding, and this benchmark could be put to whatever use the competitor wished. Interstate would have no comparable information from its competitors. This would be the definition of an "unfair commercial advantage".

Conclusion

Based on the foregoing, Interstate requests that the information it provides in Exhibits "A" and "B" to Second Data Request Nos. 1.a., 1.b. and 1.c. (as shown on attached "Responses of Interstate Natural Gas Company to Second Data Request of Commission Staff", highlighted in blue transparent ink) remain confidential pursuant to Commission Regulation 807 KAR 5:001, Section 7, and be declared exempt from inspection pursuant to KRS 61.870, et seq.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Morris Kennedy", is written over a horizontal line.

MORRIS KENNEDY

Attorney for Interstate Natural Gas
Company

2332 Old Hickory Lane

Lexington KY 40515

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CC: All Parties

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October 10, 2006

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort KY 40602-0615

RECEIVED

OCT 12 2006

PUBLIC SERVICE
COMMISSION

Re: The Notice of Proposed Rate Change for Interstate Natural Gas Company,
Case No. 2006-00122

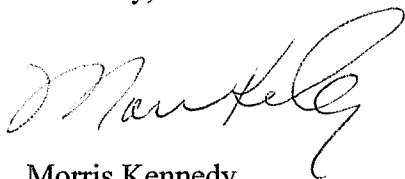
Dear Ms. O'Donnell:

Enclosed for filing in the referenced Case, please find the "Petition of Interstate Natural Gas Company for Confidential Treatment of Data Request Responses". As required by regulation, one copy of the material for which confidential treatment is requested is attached to the Petition. This confidential data is all data appearing in Exhibits "A" and "B" to the "Responses of Interstate Natural Gas Company to Second Data Request of Commission Staff". A statement to that effect is contained on the cover sheet to each Exhibit, and that statement is highlighted in blue transparent ink. Ten (10) additional copies of the Data Request Responses are also enclosed, but with only the cover sheets to the Exhibits attached thereto.

Under separate cover, Interstate is also filing with the Commission this date an original and six (6) copies of its Data Request Responses, also with only the cover sheets to Exhibits "A" and "B" appearing. In these Responses it is noted that confidential treatment has been requested for the information contained in those Exhibits, and the data for which confidential treatment is sought has not been included.

Should you require anything further in this regard, please do not hesitate to contact me.

Sincerely,



Morris Kennedy

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PROPOSED RATE
CHANGE FOR INTERSTATE NATURAL
GAS COMPANY

CASE NO. 2006-00122

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PUBLIC SERVICE
COMMISSION

RESPONSES OF INTERSTATE NATURAL GAS COMPANY
TO
SECOND DATA REQUEST OF COMMISSION STAFF

Comes Interstate Natural Gas Company ("Interstate"), by counsel, and for its Responses to the Second Data Request of Commission Staff herein states as follows:

Request No. 1: Refer to Interstate's response to Item 5(c) of Staff's Initial Data Request.

a. Provide the Monthly prices for each of the 24 months used to develop the figure provided in the response.

Response: Provided on Exhibit "A" attached hereto.

b. Provide copies of the contracts that Interstate entered into with purchasers of Interstate's gas over the 24-month period.

Response: Interstate has identified 209 separate contracts/contract amendments entered into with purchasers of Interstate's gas since the beginning of the 24-month period of May, 2004-April, 2006 referred to in this Request. Interstate has prepared a spreadsheet, attached hereto as Exhibit "B", listing those contracts and the relevant terms thereof. Interstate requests that this spreadsheet be accepted as a full response to Request 1.b. If full copies of the contracts/contract amendments requested in Request 1.b. are required to be submitted, Interstate will certainly do so; however, an extension of time to prepare such copies will be required.

c. Provide copies of all contracts Interstate currently has for purchase of its gas that are not included in the previous response.

Response: Exhibit "B" includes all contracts entered into subsequent to the end of the 24-month period, as well as all contracts entered into during the 24-month period. The dates of

all contracts are listed under the heading "Terms". Interstate requests that Exhibit "B" be accepted as a full response to Request 1.c. If full copies of the contracts/contract amendments requested in Request 1.c are required to be submitted, Interstate will certainly do so; however, an extension of time to prepare such copies will be required.

d. Explain whether Interstate is affiliated in any way with the companies it contracts with for the purchase of its gas. If yes, describe each affiliation.

Response: The partners of Interstate are the owners of Cow Creek Gas, Inc. and Dema Gas Company, Inc., shown as purchasers of gas on Exhibit "B", page 1 of 7. Interstate is not affiliated with any other purchasers of its gas.

Request No. 2: Provide the unit of measure for gas sold in interstate commerce; i.e., is it per Dekatherm or Mcf? Explain in detail the process of converting Dekatherms into Mcf.

Response: The unit of measure for gas sold into interstate commerce is Dekatherm., and all pricing of gas sold into interstate commerce is on a per Dekatherm basis. All of Interstate's gas is originally measured volumetrically on an Mcf basis, then converted to Dekatherm for sale into interstate commerce. This conversion is done by multiplying the volumes (Mcf's) of gas produced by each well by the Btu conversion factor (as measured by gas analysis) of that gas. For example, if a particular well produces 500 Mcf in a month, and the Btu conversion factor of that gas is 1.200, the number of Dekatherms contained in that 500 Mcf is 600 (500 Mcf x 1.200 = 600 Dth).

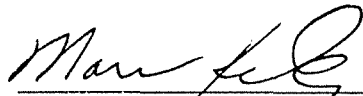
Because gas is sold to farm tap customers on an Mcf basis, it is necessary to price each Mcf of gas sold to farm tap customers on a Dekatherm basis in order to adequately compensate Interstate for its loss of sale of that gas into interstate commerce. This is done by multiplying the applicable per Dekatherm rate (as established by sales into interstate commerce) by the Btu conversion factor applicable to such gas (calculated by Interstate to be a field average of 1.252 for farm tap sales - see Responses to Initial Data Requests 5. a., b. and c.) to arrive at an equivalent per Mcf rate for farm tap sales. For example, if the applicable per Dekatherm rate is

found to be \$8.00, the equivalent per Mcf rate for Interstate's farm tap sales would be \$10.016 per Mcf ($\$8.00 \times 1.252 = \10.016).

The undersigned will be the person responsible for responding to questions relating to the information provided.

This 10th day of October, 2006.

Respectfully submitted,



MORRIS KENNEDY
Attorney for Interstate Natural Gas
Company
2332 Old Hickory Lane
Lexington KY 40515
(859) 245-1546

CC: All Parties

Kentucky Public Service Commission
Case No. 2006-00122

EXHIBIT 'A'

Submitted in Response to
Second Data Request of Commission Staff
to Interstate Natural Gas Company

CONFIDENTIAL TREATMENT HAS BEEN SOUGHT FOR
ALL INFORMATION CONTAINED IN THIS EXHIBIT

Kentucky Public Service Commission
Case No. 2006-00122

EXHIBIT 'B'

Submitted in Response to
Second Data Request of Commission Staff
to Interstate Natural Gas Company

CONFIDENTIAL TREATMENT HAS BEEN SOUGHT FOR
ALL INFORMATION CONTAINED IN THIS EXHIBIT