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November 3, 2006

PARTIES OF RECORD

RE: Case No. 2006-00122
October 24, 2006
Telephonic Informal Conference

To All Parties of Record:

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding the contents of the memorandum should be submitted to the Commission within seven days of receipt of this letter. Any questions regarding this memorandum should be directed to Dawn McGee of the Commission Staff at 502-564-3940, extension 243.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

Attachment

CC: Parties of Record

Mr Michael Burke
Controller
Interstate Natural Gas Company
347 Thompson Road
Pikeville, KY 41502-3385

Honorable Morris Kennedy
Attorney at Law
2332 Old Hickory Lane
Lexington, KY 40515

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File - Case No. 2006-00122
FROM: Dawn McGee, Team Leader
DATE: November 3, 2006
RE: Telephonic Informal Conference of October 24, 2006

Pursuant to the Commission Staff ("Staff") notice dated October 24, 2006, a telephonic informal conference was held on October 24, 2006. A list of participants is attached to this memorandum. Staff initiated the telephonic informal conference in order to discuss the responses that Interstate Natural Gas ("Interstate") provided to Staff's second information request.

After introductions, Staff inquired about the number of contracts that Interstate has entered into since September 1, 2006. Interstate explained that most of the contracts it had entered into were one-day contracts at a fixed price but that they had also entered into a few year-long contracts. All but one of the long-term contracts was priced at an index. The exception was for a contract between Interstate and the city of Prestonsburg for a fixed price. Staff requested a representative copy of a recent long-term contract and a representative copy of a one-month contract.

Staff next asked about whether Interstate or another party processes the gas that it sells into interstate commerce. Interstate stated that it sells raw gas and injects it into lines owned by Columbia Transmission Company ("TCO"), Kentucky West-Virginia Gas Company ("Kentucky West"), Chesapeake, Jefferson Gas Transmission ("Jefferson") or Equitable Gas Company ("Equitable"). Interstate explained that the gas sold is measured before it is injected into these gathering or transmission lines. When gas enters the TCO or Kentucky West system, the gas is processed by Markwest which then invoices Interstate at 4.5 cents per decatherm. When gas enters the gathering or transmission lines of Chesapeake, Jefferson or Equitable, Interstate is not charged for the processing. Staff asked about what the processing extracts; Interstate explained that water and the heavier hydrocarbons are removed.

Interstate agreed to file the requested copies within 10 days and the meeting was then adjourned.

cc: Parties of Record

PARTICIPANTS

Public Service Commission

Dawn McGee
Anita Mitchell
Jason Brangers
Jim Welch
Faud Sharifi
Isaac Scott
Gary Glover

Interstate Natural Gas

Morris Kennedy
Jerry Caney