

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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**PUBLIC SERVICE
COMMISSION**

In the matter of adjustment of rates of Columbia)
Gas of Kentucky, Inc.) Case No. 2007-00008

**STATEMENT AND NOTICE
OF COLUMBIA GAS OF KENTUCKY, INC.**

Columbia Gas of Kentucky, Inc. (“Columbia”) informs the Commission that it is engaged in the business of furnishing natural gas services to the public in certain counties in the Commonwealth of Kentucky, pursuant to authority granted by the Commission, and does hereby propose to adjust its rates effective the third day of March, 2007, in conformity with this Statement and Notice and the attached schedules. Columbia respectfully states:

(A) Columbia is a corporation organized and existing under the laws of the Commonwealth of Kentucky. Columbia’s full name is Columbia Gas of Kentucky, Inc. Its corporate headquarters and principal Kentucky office are located at 2001 Mercer Road, Lexington, Kentucky, 40511-1018, and its mailing address is P.O. Box 14241, Lexington, KY 40512-4241. Columbia is engaged in the distribution and sale of natural gas, as well as the transportation of customer-owned volumes of gas, in the following Kentucky communities: Ashland, Bellefonte, Catlettsburg, Cynthiana, Flatwoods, Foster, Frankfort, Fullerton, Georgetown, Germantown, Greenup, Hindman, Inez, Irvine, Lexington, Louisa, Maysville, Midway, Mt. Sterling, Paris, Raceland, Ravenna, Russell, South Williamson, Versailles, Warfield, Washington, Winchester, and Worthington. Columbia also serves rural communities and areas in the following Kentucky counties: Bath, Bourbon, Boyd, Bracken, Carter, Clark, Clay, Estill, Fayette, Floyd, Franklin, Greenup, Harrison, Jessamine, John-

son, Knott, Lawrence, Lee, Letcher, Lewis, Madison, Martin, Mason, Menifee, Montgomery, Morgan, Nicholas, Owsley, Pendleton, Pike, Robertson, Scott, and Woodford.

(B) Columbia's last application to adjust rates was filed on May 1, 2002 in compliance with the Commission's Order in Case No. 2000-129. That case (Case No. 2002-00145) resulted in a \$7,800,00 reduction in Columbia's annual operating revenues. That case utilized calendar year 2001 as the test period. The instant case will utilize the twelve months ending September 30, 2006 as the test period. During the nearly five years between the two test periods, Columbia has added approximately 6,300 new customers while losing approximately 8,400 customers. Columbia has incurred more than \$41 million in capital expenditures, both to provide service to its new customers and to maintain its existing distribution facilities in good operating condition. The proposed rate adjustment is necessary to enable Columbia to continue providing reasonable and adequate service to its customers, and to afford Columbia a reasonable opportunity to earn a fair return on its investment in property which is used to provide that service.

(C) As authorized by KRS § 278.192(1), and for the purpose of justifying the rates proposed herein, Columbia has utilized a historic test period consisting of the twelve months ending September 30, 2006.

(D) Columbia's annual reports, including the annual report for 2005, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1).

(E) Columbia hereby gives notice to the Public Service Commission of the adjustment of its rates as set forth in Schedule L in the total amount of \$12,645,522 on an annual basis, to become effective on and after March 3, 2007. The percentage of increase will approximate 7.99% to Columbia. The estimated amount of increase per customer class is as follows:

Residential	\$10,539,821	11.07%
Commercial	\$1,498,857	2.77%
Industrial	\$382,525	4.89%
Transportation	\$12,400	5.29%
Other	\$211,920	21.57%

Schedule L contains a comparison of the existing and proposed rates.

(F) That Columbia is a corporation, and a certified copy of Columbia's articles of incorporation was filed with the Commission in Case No. 2000-129.

(G) A certificate of good standing issued by the Office of the Secretary of State on January 17, 2007 is found at Tab No. 5 of the filing requirements.

(H) Columbia conducts business only under its real name: Columbia Gas of Kentucky, Inc. As a result, no certificate of assumed name is required pursuant to KRS § 365.015.

(I) The aggregate total revenue from Columbia's non-regulated incidental activities does not exceed the lesser of 2% of Columbia's total revenues or \$1 million annually, therefore, Columbia is not required to submit a cost allocation manual with this filing, pursuant to KRS §§ 278.2203 and 278.2205.

(J) Columbia will comply with 807 KAR 5:011, Section 8(2) and 807 KAR 5:001, Section 10(3) and (4), by delivering to newspapers of general circulation in its service area, a copy of the Notice identified as Tab No. 11 in the filing requirements, for publication once a week for three consecutive weeks in a prominent manner, the first of said publications to be made within seven (7) days of February 1, 2007.

(K) Columbia has filed with the Public Service Commission a written notice of its intention to file this rate application. The notice stated that the application would be supported by a historic test period, and was filed with the Commission on February 1, 2007, at which time a copy was served upon the Utility Intervention and Rate Division of the Attorney General's office, as required by 807 KAR § 5:001, Section 10(2). A copy of that notice is identified as Tab No. 10 in the filing requirements.

(L) As required by 807 KAR § 5:001, Section 10(4)(f), Columbia will post a copy of the notice contained in Tab No. 11 of the filing requirements at its place of business on February 1, 2007, and it will remain posted until the Commission has finally determined Columbia's rates.

(M) This filing consists of the following eight volumes:

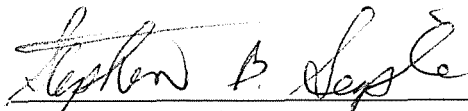
<u>Volume No.</u>	<u>Description</u>
1-5	Filing Requirements
6	Schedules A through N
7	Testimony
8	Workpapers

This Statement and Notice is filed under the provisions of KRS §§ 278.180 and 278.190, and 807 KAR § 5:001, Section 10. Columbia respectfully asks the Commission to find that the proposed rates are fair, just, and reasonable pursuant to KRS 278.030(1).

Dated at Columbus, Ohio, this first day of February, 2007.

Respectfully submitted,

COLUMBIA GAS OF KENTUCKY, INC.

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