

August 11, 2004

Ms. Beth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

P.O. Box 14241  
Lexington, KY 40512  
(859) 288.0215  
Fax: (859) 288.0258

**RECEIVED**

AUG 11 2004

**RE: Columbia Gas of Kentucky, Inc.  
Gas Cost Adjustment Case No. 2004-00299**

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

Pursuant to the Commission's Order dated July 17, 2001 in Administrative Case No. 384, Columbia Gas of Kentucky, Inc. ("Columbia") hereby encloses, for filing with the Commission, an original and six (6) copies of revised and substitute data submitted pursuant to the requirements of the Gas Cost Adjustment Provision contained in Columbia's tariff for its September quarterly Gas Cost Adjustment ("GCA"). Columbia proposes to decrease its current rates to tariff sales customers by \$1.1965 per Mcf effective with its September 2004 billing cycle on August 27, 2004. This filing revises that previously filed on July 28, 2004 and the attached schedules substitute for those previously filed.

The original filing understated the projected cost of non-appalachian supplies and therefore understated the expected average commodity cost. As revised, the decrease is composed of an increase of \$0.8599 per Mcf in the Average Commodity Cost of Gas, a decrease of \$0.0079 per Mcf in the Average Demand Cost of Gas, a decrease of \$0.0291 per Mcf in the Balancing Adjustment, an increase of (\$0.0003) per Mcf in the Refund Adjustment and a decrease of \$2.0191 per Mcf in the Actual Adjustment.

Columbia respectfully requests that the Commission grant a shortened notice period, if required, to allow the decrease to become effective with Columbia's September billing cycle as originally proposed in order to allow the billing process to continue without interruption and avoid the additional cost associated with prorating.

Please feel free to contact me at (859) 288-0242 if there are any questions.

Sincerely,



Judy M. Cooper  
Director, Regulatory Policy

Enclosures

COLUMBIA GAS OF KENTUCKY, INC.

COMPARISON OF CURRENT GCA AND PROPOSED GCA

Line No.	06/04	REVISED 09/04	<u>DIFFERENCE</u>
	<u>CURRENT</u>	<u>PROPOSED</u>	
1 Average Commodity Cost of Gas	\$6.0469	\$6.9068	0.8599
2 Average Demand Cost of Gas	\$1.1708	\$1.1629	-0.0079
3 Total Average Cost of Gas	\$7.2177	\$8.0697	0.8520
4 SAS Refund Adjustment	-0.0002	-0.0002	0.0000
5 Balancing Adjustment	0.0640	0.0349	-0.0291
6 Supplier Refund Adjustment	-0.0031	-0.0034	-0.0003
7 Actual Cost Adjustment	2.1336	0.1145	-2.0191
8 Take-or-Pay Refund (TOP) Adjustment	<u>0.0000</u>	<u>0.0000</u>	<u>0.0000</u>
9 COST OF GAS TO TARIFF CUSTOMERS (GCA)	\$9.4120	\$8.2155	-1.1965
10 TRANSPORTATION TOP REFUND ADJUSTMENT	0.0000	0.0000	0.0000
11 BANKING AND BALANCING SERVICE	0.0249	0.0209	-0.0040
12 Rate Schedule FI and GSO			
13 Customer Demand Charge	\$7.6953	\$7.5272	-0.1681

COLUMBIA GAS OF KENTUCKY, INC.

REVISED

GAS COST ADJUSTMENT CLAUSE

Gas Cost Recovery Rate Effective September 2004

<u>Line No.</u>	<u>Description</u>		<u>Amount</u>	<u>Expires</u>
1	Expected Gas Cost (EGC)	Schedule No. 1	\$8.0697	
2	Actual Cost Adjustment (ACA)	Schedule No. 2	\$0.1145	8-31-05
3	SAS Refund Adjustment (RA)	Schedule No. 5	(\$0.0002)	8-31-05
4	Supplier Refund Adjustment (RA)	Schedule No. 4 Case No. 2004-00033	(0.0021)	02-28-05
		Schedule No. 4 Case No. 2004-00153	(0.0010)	05-31-05
		Schedule No. 4	(0.0003)	08-31-05
		Total Refunds	(\$0.0034)	
5	Balancing Adjustment (BA)	Schedule No. 3	\$0.0349	2-29-05
6	Take - or - Pay Refund Adjustment		\$0.0000	
7	<b>GAS COST ADJUSTMENT</b>			
8	<b>EFFECTIVE SEPTEMBER 2004</b>		<u>\$8.2155</u>	
9	Expected Demand Cost (EDC) per Mcf			
10	(Applicable to Rate Schedule IS/SS and G Schedule No. 1, Sheet 4		<u>\$7.5272</u>	

DATE FILED: August 11, 2004

BY: J. M. Cooper

**COLUMBIA GAS OF KENTUCKY, INC.**

**Expected Gas Cost**

Projected Cost of Gas Supply For Sales Customers  
September - November 2004

Line No.	Description	Reference	Volume A/		Rate		Cost (5)
			Mcf (1)	Dth. (2)	Per Mcf (3)	Per Dth (4)	
1	Storage Supply						
2	Withdrawal Charge		516,588	545,000 B/	\$	0.0153	\$ 8,339
3	Injection Charge		942,180	994,000	\$	0.0153	15,208
4	Commodity Cost of Withdrawals		516,588	545,000	\$	6.5008	3,542,936
5	Total Cost of Storage Supply						\$ 3,566,483
Flowing Supply: C/							
6	Non-Appalachian	Sch. 1, Sht. 5, Ln. 4		3,665,000			\$ 22,226,573
7	Appalachian Supplies	Sch. 1, Sht. 6, Ln. 4		87,000			548,000
8	All Supplies	Lines 5 + 7 + 8	4,072,986	4,297,000			\$ 26,341,055
9	Less Fuel Retention By Interstate Pipelines	Sch. 1, Sheet 1A, Line 22	(141,232)	(149,000)			\$ (917,668)
10	All Supplies Excluding Cost of Retention						\$ 25,423,387
11 Net Supply:							
12	At City-Gate		3,931,754	4,148,000			
13	Lost and Unaccounted For D/	Line 8 + 9	(23,591)	(24,888)			
14	At Customer Meter	Line 12 + 13	3,908,163	4,123,112			
15	Sales Volumes For Sept - Nov 04	Line 14	3,908,163	4,123,112			
16a	Unit Commodity Cost Before Adjustment	Line 10 / Line 15			\$	6.5052	
16b	Plus Annualized Unit Cost of Retention	Sch. 1, Sheet 1A, Line 24				0.4016	
16	Unit Commodity Cost Before Adjustment					6.9068	
17	Unit Demand Cost	Sch. 1, Sht. 2, Ln. 11				1.1629	
18	Total Expected Gas Cost	Line 16 + 17				\$ 8.0697	
A/ BTU Factor = 1.0550							
B/ Projected net withdrawals for sales customers.							
C/ Excludes volumes injected into storage.							
D/ Lost and Unaccounted For portion on the CKY distribution system = 0.60%							

**Columbia Gas of Kentucky, Inc.  
Annualized Unit Charge for Gas Retained by Upstream Pipelines**

Revised Schedule No. 1  
Sheet 1A

	Units	Sept. - Nov. 04	Dec. 04 - Feb. 05	Mar. 05 - May 05	June 05 - Aug 05	Annual Sept 04 - Aug 05
<b>Gas purchased by CKY for the remaining sales customers</b>						
1	Volume					
2	Commodity Cost Including Transportation	2,695,000	2,958,000	3,527,000	4,758,000	13,938,000
3	Unit cost per Schedule 1	16,816,000	19,943,000	21,284,000	28,379,000	\$86,422,000
						\$6.2005
<b>Consumption by the remaining sales customers</b>						
11	At city gate	2,160,000	6,364,000	2,560,000	715,000	
12	Lost and unaccounted for portion	0.60%	0.60%	0.60%	0.60%	
	At customer meters					
13	In Dth	2,147,040	6,325,816	2,544,640	710,710	11,728,206
14	Heat content	1,0550	1,0550	1,0550	1,0550	
15	In MCF	2,035,109	5,996,034	2,411,981	673,659	11,116,783
16	Portion of annual line 15, quarterly / annual	18.3%	53.9%	21.7%	6.1%	100.0%
<b>Gas retained by upstream pipelines</b>						
21	Volume	148,000	187,000	180,000	205,000	656,000
	Cost					
22	Quarterly, Deduct from Sheet 1	\$917,668	\$1,159,486	\$1,116,083	\$1,271,094	\$4,464,331
23	Allocated to quarters by consumption	\$817,269	\$2,407,916	\$968,615	\$270,531	\$4,464,331
24	Annualized unit charge	\$0.4016	\$0.4016	\$0.4016	\$0.4016	\$0.4016

**COLUMBIA GAS OF KENTUCKY, INC.**  
**COST OF NON-APPALACHIAN SUPPLIES**  
**PROJECTED FOR SEPTEMBER - NOVEMBER 2004**

Schedule No. 1  
 Sheet 5

Line No.	Description	Total Flowing Supply		Incl. Gas Inj.	Into Storage		Net Storage Injection	Net Flowing Supply	
		Supply	A/		Cost	B/		For Current Consumption	Cost
		Dth		Cost	Per Dth	Dth	Dth	Dth	Dth
		(1)		(2)	(3)	(4)	(5)	(6)	(5)
					= (2) / (1)		= (1) - (4)	= (3) x (5)	
1	September 2004	987,000		\$ 5,898,000	\$5.97568	(747,000)	1,734,000	\$ 10,361,836	
2	October 2004	907,000		5,446,000	\$6.00441	(212,000)	1,119,000	6,718,935	
3	November 2004	<u>777,000</u>		<u>4,924,000</u>	\$6.33719	(35,000)	812,000	5,145,802	
4	Total	2,671,000		\$16,268,000	\$6.09060	(994,000)	3,665,000	\$ 22,226,573	

A/ Gross, before retention.  
 B/ Includes transportation commodity costs.

CALCULATION OF DEMAND/COMMODITY SPLIT OF GAS COST ADJUSTMENT FOR TARIFFS

Demand Component of Gas Cost Adjustment

Demand Cost of Gas (Schedule No. 1, Sheet 1, Line 17)	\$1.1629
Demand ACA (Schedule No. 2, Sheet 1, Line 23)	0.0342
Refund Adjustment (Schedule No. 4)	-0.0034
SAS Refund Adjustment (Schedule No. 5)	<u>-0.0002</u>
Total Demand Rate per Mcf	\$1.1935

Commodity Component of Gas Cost Adjustment

Commodity Cost of Gas (Schedule No. 1, Sheet 1, Line 16)	\$6.9068
Commodity ACA (Schedule No. 2, Sheet 1, Line 28)	\$0.0803
Balancing Adjustment (Schedule No. 3, Sheet 1, Line 21)	<u>\$0.0349</u>
Total Commodity Rate per Mcf	\$7.0220

CHECK:	\$1.1935
	<u>\$7.0220</u>
COST OF GAS TO TARIFF CUSTOMERS (GCA)	\$8.2155

**CURRENTLY EFFECTIVE BILLING RATES**

	<u>Base Rate Charge</u> \$	<u>Gas Cost Adjustment<sup>1/</sup></u> \$	<u>Demand Commodity</u> \$	<u>Total Billing Rate</u> \$
<b><u>RATE SCHEDULE GSR</u></b>				
First 1 Mcf or less per Mo.	6.95	1.1935	7.0220	15.1655
Over 1 Mcf per Mo.	1.8715	1.1935	7.0220	10.0870
<b><u>RATE SCHEDULE GSO</u></b>				
<u>Commercial or Industrial</u>				
First 1 Mcf or less per Mo.	18.88	1.1935	7.0220	27.0955
Next 49 Mcf per Mo.	1.8715	1.1935	7.0220	10.0870
Next 350 Mcf per Mo.	1.8153	1.1935	7.0220	10.0308
Next 600 Mcf per Mo.	1.7296	1.1935	7.0220	9.9451
Over 1000 Mcf per Mo.	1.5802	1.1935	7.0220	9.7957
<u>Delivery Service</u>				
Administrative Charge	55.90			55.90
<u>Standby Service Demand Charge</u>				
Demand Charge times Daily Firm Vol. (Mcf) in Cust. Serv. Agrmt.		7.5272		7.5272
<u>Delivery Rate Per Mcf</u>				
First 400 Mcf per Mo.	1.8153			1.8153
Next 600 Mcf per Mo.	1.7296			1.7296
All Over 1000 Mcf per Mo.	1.5802			1.5802
Former IN8 Rate Per Mcf	1.0575			1.0575
Banking and Balancing Service		0.0209		0.0209

(continued on following sheet)

<sup>1/</sup> The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of this Tariff.

( I) Increase  
(R) Reduction

R  
R

R  
R  
R  
R  
R

R

R

DATE OF ISSUE;

DATE EFFECTIVE: September 2004 Billing Cycle  
August 27, 2004

ISSUED BY: Joseph W. Kelly

President



**CURRENTLY EFFECTIVE BILLING RATES**

(Continued)

	<u>Base Rate Charge</u> \$	<u>Gas Cost Adjustment<sup>1/</sup></u> <u>Demand</u> \$	<u>Commodity</u> \$	<u>Total Billing Rate</u> \$
<b><u>RATE SCHEDULE GPR<sup>3/</sup></u></b>				
First 1 Mcf or less per Mo.	6.95	N/A	N/A	N/A
Over 1 Mcf per Mo.	1.8715	N/A	N/A	N/A
<b><u>RATE SCHEDULE GPO<sup>3/</sup></u></b>				
<u>Commercial or Industrial</u>				
First 1 Mcf or less per Mo.	18.88	N/A	N/A	N/A
Next 49 Mcf per Mo.	1.8715	N/A	N/A	N/A
Next 350 Mcf per Mo.	1.8153	N/A	N/A	N/A
Next 600 Mcf per Mo.	1.7296	N/A	N/A	N/A
Over 1000 Mcf per Mo.	1.5802	N/A	N/A	N/A
<b><u>RATE SCHEDULE IS</u></b>				
<u>Customer Charge per Mo.</u>				
First 30,000 Mcf	116.55			116.55
Over 30,000 Mcf	0.5467		7.0220 <sup>2/</sup>	7.5687
	0.2905		7.0220 <sup>2/</sup>	7.3125
<u>Standby Service Demand Charge</u>				
Demand Charge times Daily Firm Volume (Mcf) in Customer Service Agreement		7.5272		7.5272
<u>Delivery Service<sup>1</sup></u>				
Administrative Charge	55.90			55.90
First 30,000 Mcf	0.5467			
Over 30,000 Mcf	0.2905			0.2905
Banking and Balancing Service (continued on following sheet)	0.0209			0.0209

R  
R  
  
R  
  
R

<sup>1/</sup> The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of this Tariff.  
<sup>2/</sup> IS Customers may be subject to the Demand Gas Cost, under the conditions set forth on Sheets 14 and 15 of this tariff.  
<sup>3/</sup> Currently, there are no customers on this rate schedule.

(I) Increase  
(R) Reduction

DATE OF ISSUE;

DATE EFFECTIVE: September 2004 Billing Cycle  
August 27, 2004

Issued by: Joseph W. Kelly

President

**CURRENTLY EFFECTIVE BILLING RATES**

(Continued)

	<u>Base Rate</u> <u>Charge</u> \$	<u>Gas Cost</u> <u>Demand</u> \$	<u>Adjustment<sup>1/</sup></u> <u>Commodity</u> \$	<u>Total</u> <u>Billing</u> <u>Rate</u> \$	
<b><u>RATE SCHEDULE IUS</u></b>					
For All Volumes Delivered Per Mcf	0.3038	1.1935	7.0220	8.5193	R
<u>Delivery Service</u>					
Administrative Charge	55.90			55.90	
Delivery Rate Per Mcf	0.3038	1.1935		1.4973	R
Banking and Balancing Service		0.0209		0.0209	R
<b><u>MAINLINE DELIVERY SERVICE</u></b>					
Administrative Charge	55.90			55.90	
Delivery Rate Per Mcf	0.0858			0.0858	
Banking and Balancing Service		0.0209		0.0209	R

(I) Increase

(R) Reduction

<sup>1/</sup> The Gas Cost Adjustment, as shown, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets 48 through 51 of this Tariff.

DATE OF ISSUE;

DATE EFFECTIVE: September 2004 Billing Cycle  
August 27, 2004

Issued by: Joseph W. Kelly

President