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August 1, 2005

Ms. Beth A. O'Donnell
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: PSC Case No. 2005-00239

Dear Ms. O'Donnell:

Enclosed for filing with the Commission are the original and six copies of Supplemental Information regarding Columbia Gas of Kentucky's application in Case No. 2005-00239. Please call me at (614) 460-4648 should you have any questions about this matter.

Very truly yours,

Stephen B. Seiple (SMC)

Stephen B. Seiple
Lead Counsel

Enclosure

cc: Richard S. Taylor

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of the Application of Columbia)
Gas of Kentucky, Inc. for an Order Issuing a)
Certificate of Public Convenience and Necessity) Case No. 2005- 00239
to Construct a Natural Gas Pipeline Near)
Georgetown, Kentucky)

APPLICATION OF COLUMBIA GAS OF KENTUCKY, INC.
SUPPLEMENTAL INFORMATION

Columbia Gas of Kentucky, Inc. (“Columbia”) provides the following information as requested by Commission Staff at the Informal Conference:

- (1) Columbia was asked to elaborate on how the proposed project fits into the Management Audit.

As noted in its original application, the proposed construction relates to a Columbia specific recommendation of the Management Audit initiated by the Kentucky Public Service Commission in Administrative Case No. 384, Recommendation No. A.1.2. The recommendation stemmed from a concern that Columbia took on too great a risk in its ability to meet peak day criteria compared to the state’s other natural gas utilities. At the time of the management audit, Columbia’s peak day planning criteria was based on a 1 in 10 risk probability. This meant that on a peak day, Columbia would be able to satisfy demand 90% of the time.

The recommendation was actually one of twelve recommendations specific to Columbia in the management audit. The analysis of various risk levels that Columbia

might incorporate in its peak day planning criteria was done in concert with analysis required for other of the recommendations. The ultimate resolution to adjust Columbia's peak day planning criteria to a 1 in 20 risk level was a balance of the recommendations on risk level and capacity costs. This resolution achieved a savings in demand costs to Columbia's customers while also increasing reliability so that Columbia would be able to satisfy demand 95% of the time on a peak day.

Pursuant to the management audit recommendations, Columbia has executed contracts to increase its capacity portfolio to reflect the 1 in 20 risk level, while simultaneously lowering its total annual demand costs for capacity. This has been achieved by negotiated discounts in the new storage contracts and acquisition of pipeline capacity via Columbia's subsidiary, Central Kentucky Transmission Company, to replace previous pipeline demand contracts. The costs savings have already been passed along to Columbia's customers, yet this construction, as one piece of the pie, is essential to complete the package.

- (2) Columbia was asked to explain whether the proposed pipeline is designed as a Class 3 or Class 4 pipeline.

The proposed pipeline is designed as a Class 4 pipeline. The statement on Attachment 3, page 1, of Columbia's application that design is Class 3 is an error.

- (3) Columbia was asked to verify the date of the Final Report of the Liberty Consulting Group in response to the Commission's Data Request of July 11, 2005, Question No. 17.

The correct date of the report is November 15, 2002.

Respectfully submitted this 1st day of August, 2005.

COLUMBIA GAS OF KENTUCKY, INC.

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