BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY THE ATTORNEY GENERAL
DATED MAY 8, 2007

Question No. 40

Please provide an update of the Administrative Charge cost study provided in response to AG DR No. 127.

Response of Columbia Gas of Kentucky:

The referenced Administrative Charge cost study was provided in response to AG DR No. 137, and was part of Columbia's 1994 rate case (no. 94-179). In that case, the Administrative study supported an Administrative Charge of $65.00. The $65.00 administrative fee was billed to CKY customers from November 1, 1994 through March 1, 2003. The $65.00 charge was then reduced to $55.90 through a settlement in case no. 2002-00145, which case resulted in an overall decrease in Columbia's rates and charges.

As a result of changes that have occurred since Columbia's 1994 case, the Administrative Charge cost study results are considerably different. Primarily, services that were previously provided by Columbia of Ohio to Columbia Kentucky are now provided by NiSource Corporate Services. In addition, the Gas Transportation Billing System that was included in the last Administrative Charge cost study has now been completely amortized. The Administrative Charge cost study can thus be greatly simplified. Below is a summary of the costs billed to Columbia by NiSource Corporate Services Co. during the test year in this case for the two specific services that were identified in the original Administrative Charge cost study.

GTS Billing

Labor [1/]	$140,466.60
Materials & Supplies	138.28
Outside Services	1,829.89
Employee Expenses	2,011.61
Other	54.07
Total GTS Billing	$144,500.45

GTS Marketing [3/]

Labor [1/]	$29,937.00
Total Administrative Costs	$174,437.45
Total Transportation Bills [2/]	1,389
Cost Based Administrative Charge	**$125.58**
Proposed Administrative Charge	**$55.90**

1/ Included with labor are employee benefits and payroll taxes.

2/ Per Schedule M-2.2, Page 2, Column C, Lines 2 through 16. Note: Choice transportation bills are not included. The Administrative charge is designed to recover costs specific to transportation customers that are not part of the Choice program.

3/ Costs other than labor, benefits and payroll taxes are not readily identifiable for the GTS Marketing service and therefore omitted from this request. However, such costs certainly would have been justifiably included had CKY requested an increase in the Administrative charge.

Attorney General Data Request Set 2
Question No. **41**
Columbia Gas of Kentucky Respondent: **Judy M. Cooper**

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DATED MAY 8, 2007

Question No. 41

Refer to your response to AG DR No. 139. If no customers take GPS service, why does the Company continue to offer it?

Response of Columbia Gas of Kentucky:

In the event a situation arises in the future where the service is needed, the tariff remains in place. For instance, General Propane Service provides opportunities for customers who are not presently within a reasonable distance of Columbia's facilities to take gas service until development around the customer grows to a degree such that Columbia may cost-effectively extend its facilities to serve the customer and the rest of the development. The GPS rate is consistent with Columbia's desire to grow its system so that fixed costs may be spread over a larger customer base.

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Question No. 42

Your response to AG DR No. 141 is not fully responsive. Please answer the question.

Response of Columbia Gas of Kentucky:

The support for the Interruptible Service (IS) rates shown on sheet 14 of the tariff is in the Class Cost of Service (pages 1 and 3 of 28) which was filed as part of the application in this proceeding. Other than the Class Cost of Service, the only worksheets, calculations or other documentation available for the IS rate calculation is Attachment RDG-5 of the Gibbons testimony. Attachment RDG-5 shows the amount of the overall increase allocated to each rate schedule as well as current and proposed revenues.

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Question No. 43

Refer to your response to AG DR No.151. If there are no customers taking service under the AFDS schedule, why does Columbia continue to offer it?

Response of Columbia Gas of Kentucky:

Demand for the AFDS schedule is primarily dependent upon competition from alternate fuels, and although no customers are presently taking service under this schedule, such competitive situations arise with little lead time. In the event a situation arises in the future, where the service is needed, the tariff remains in place to provide these customers with an option to meet their needs. Additionally, this tariff can help Columbia retain customers which would otherwise be lost to alternate fuels, which furthers Columbia's goal of increasing its customer base so that its fixed costs can be spread over a larger customer base to help keep rates affordable for all customers.

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DATED MAY 8, 2007

Question No. 44

Refer to your response to KPSC Staff DR 2-31. Is the Company aware of any specific examples of the arbitrage of which it complains in this response? If so, please provide a full description.

Response of Columbia Gas of Kentucky:

Example 1 – In late summer 2005, a volatile market had sent natural gas prices soaring and the Columbia gas tariff price was considerably less and more attractive than the market price. Beginning the month of September 2005, a transportation customer had zero gas in their bank, and their agent/supplier delivered less than 45% of the customer's total monthly consumption, purchasing the remainder as sales gas at Columbia's tariff rate of $9.40 per Mcf, compared to market prices that were around the $14 - $15 per Dth dollar range.

Example 2 – An agent/supplier acting on a transportation customer's behalf, hedged purchases at a favorable price in early 2006. In September 2006, the agent/supplier delivered gas in excess of 28% of the customer's allowable bank tolerance and the customer incurred penalties at the rate of $0.3129 per Mcf as set forth in Columbia's tariff.