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HURT, CROSBIE & MAY PLLC

THE EQUUS BUILDING
127 WEST MAIN STREET
LEXINGTON, KENTUCKY 40507
(859) 254-0000
Fax: (859) 254-4763

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TO: FILINGS DIVISION

FAX #: (502) 564-3460

COMPANY: Public Service Commission

FROM: Matthew Malone, Esq.

DATE: July 11, 2007

RE: Case No. 2007-00008 (Application of Columbia Gas of Kentucky, Inc.)Number of pages including this cover page: 10

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HURT, CROSBIE & MAY PLLC

WILLIAM C. HURT, JR.
SCOTT A. CROSBIE
WILLIAM H. MAY, III
MICHAEL D. KALINYAK
STEVEN LENARZ
MATTHEW R. MALONE

THE EQUUS BUILDING
127 WEST MAIN STREET
LEXINGTON, KENTUCKY 40507

(859) 254-0000
FACSIMILE (859) 254-4763

AARON D. REEDY
JENNIFER S. SCUTCHFIELD*

*Of Counsel

July 11, 2007

ATTN: Filings Division
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RE: *Case No. 2007-00008 (Application of Columbia Gas of Kentucky, Inc.)*

Dear Sir/Madam:

Attached please find a copy of Interstate Gas Supply, Inc.'s response to the Columbia's data request. We are providing this facsimile copy to comply with the Commission's order, however, we will be formally filing appropriate bound copies with the Commission tomorrow morning.

Thank you for your attention to this matter. If you have any questions, please call me.

Regards,



Matthew Malone

Enclosures

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Columbia's Data Request Set 1
Question No. 1
Interstate Gas Supply, Inc. Respondent: Scott White

~~BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY~~
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
COLUMBIA

Question No. 1

Regarding the Direct Testimony of Scott White, page 2, lines 3-4. Please describe how Mr. White has been directly involved in unbundling residential natural gas services in Kentucky.

Response of Interstate Gas Supply Inc.:

Mr. White has been involved in multiple proceedings before the Kentucky Public Service Commission involving the Columbia of Kentucky Choice program, each of which involved the effects of choice migration and upstream capacity held by Columbia of Kentucky. These proceedings resulted in changes to the Choice Program to eliminate stranded cost to GCR customers by either mandatory direct assignment of capacity or transfer of cost through a balancing charge. We consider issues of upstream capacity cost allocation between Choice and GCR customers to be an unbundling of residential natural gas services in Kentucky.

Columbia's Data Request Set 1
Question No. 2
Interstate Gas Supply, Inc. Respondent: Scott White

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
COLUMBIA

Question No. 2

Regarding the Direct Testimony of Scott White, page 2, lines 8-10. Please provide the case numbers in which Mr. White has testified before the Kentucky Public Service Commission.

Response of Interstate Gas Supply Inc.:

Mr. White has been involved in multiple proceedings before the KPSC, including 1999-00165, 2002-00117 and 2004-000462 all of which involved Mr. White providing comments and positions and in some cases testimony for the KPSC.

Columbia's Data Request Set 1
Question No. 3
Interstate Gas Supply, Inc. Respondent: Scott White

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
COLUMBIA

Question No. 3

Regarding the Direct Testimony of Scott White, page 7, lines 21-29. Please explain Mr. White's understanding of how the ten cent throughput charge was established.

Response of Interstate Gas Supply Inc.:

The ten cent surcharge was a negotiated fee created to give Columbia an economic reason to continue the program.

Question No. 3 (a)

- (a) If Columbia were to discontinue the recovery of incremental Choice Program costs through the ten cent surcharge, please describe how Mr. White would propose that Columbia should instead recover the incremental costs of the Choice Program, including from which customer classes the Choice Program costs should be recovered.

Response of Interstate Gas Supply Inc.:

Mr. White is unaware of any specific incremental cost and is of the understanding that the fee is not cost based. IGS would first suggest that Columbia should demonstrate specifically what incremental costs have and would be incurred by Columbia and the exact amount of such costs, including specifics regarding such costs before any amount could be discussed or charged to Columbia customers.

Columbia's Data Request Set 1
Question No. 4

Interstate Gas Supply, Inc. Respondent: **Scott White**

~~BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY~~

PSC CASE NO. 2007-00008

INFORMATION REQUESTED BY

COLUMBIA

Question No. 4

Does Mr. White believe that Columbia's application in the instant rate case docket alters the terms of Columbia's Choice Program as previously approved by the Commission? If so, please explain why.

Response of Interstate Gas Supply Inc.:

Yes. If Columbia is permitted to recover the costs it has expressed in its filing, Columbia would, according to its own filings, be fully recovered, including its full rate of return. Choice costs that were part of the previous case were not cost based or justified, but rather were explained by Columbia to be necessary as it was not recovering its then current costs and it was attempting to increase its revenues to off set other under recoveries. If Columbia is to recover all of its costs and its rate of return as a result of this rate case, than the basic premise of the Choice Program costs would no longer be existent and Choice customers would be paying not only the costs from the previous case, but also increased costs that should only be born by those that create such costs.

Columbia's Data Request Set 1
Question No. 5
Interstate Gas Supply, Inc. Respondent: Scott White

~~BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY~~
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
COLUMBIA

Question No. 5

Regarding the Direct Testimony of Scott White, page 2, lines 20-23. Please describe all the fees that Mr. White believes are not included in Columbia's revenue requirement but that Columbia directly charges to Choice customers.

Response of Interstate Gas Supply Inc.:

Columbia charges Choice customers, either directly or directly through the Choice supplier, a monthly billing charge of \$0.20 each bill each month, a \$0.10 per mcf throughput charge, as well as a receivables discount of 2.5%.

Columbia's Data Request Set 1
Question No. 6

Interstate Gas Supply, Inc. Respondent: Scott White

~~BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY~~

PSC CASE NO. 2007-00008

INFORMATION REQUESTED BY
COLUMBIA

Question No. 6

Regarding the Direct Testimony of Scott White, page 7, lines 12-19 Please explain why Mr. White believes that Columbia does not appear to incur any incremental costs for including a supplier's charges on customer bills.

Response of Interstate Gas Supply Inc.:

Mr. White is not aware of Columbia ever providing any evidence that there are incremental costs associated with providing supplier charges on the customer's bill. Although Columbia provided a list of items in response to IGS Data Request Set 1, Question No. 19, no definitive costs were provided and many included items that would be non-recurring costs, such as programming changes. Columbia would have to render a bill and send a bill to customers regardless of who supplies the customer's commodity, thus there are no incremental printing or mailing charges (Columbia has provided no evidence that a line on the bill for Choice commodity charges would be any different than a line for Columbia commodity charges). Further, any programming cost associated with including the supplier's name and charges on the bill would be minimal and should have already been recovered. Also, it is IGS' understanding that Columbia includes non commodity related charges on the monthly customer bill for warranty products and that there is no charge for such costs. As such, if there are no incremental costs associated with including an unrelated commodity charge on the monthly invoice, there should not be any incremental costs for commodity related costs.

Columbia's Data Request Set 1
Question No. 7

Interstate Gas Supply, Inc. Respondent: Scott White

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY
PSC CASE NO. 2007-00008
INFORMATION REQUESTED BY
COLUMBIA

Question No. 7

Regarding the Direct Testimony of Scott White, page 12, lines 4-7. Is it Mr. White's belief that \$48,222,000 represents Columbia's working capital for gas in storage, as opposed to Columbia's total working capital requirement?

Response of Interstate Gas Supply Inc.:

It is Mr. White's understanding from Mr. Miller's testimony, page 9 lines 1-9 that \$47.8 million of the \$48.222 million of the working capital represents Columbia's requested amount for gas in underground storage, which according to Mr. Miller is a result of gas in underground storage increase from \$11.9 million to \$47.8 million. It is Mr. White's understanding from Schedule B-5.1, Sheet 1 of 1, from Witness Humrichhouse (*see attached WPB-5.1*) that total working capital allowances are \$48,222,713 of which \$47,790,396 are for Gas Stored Underground or approximately 99.1% of total working capital. The remaining \$432,317 consists of Materials & Supplies (\$88,123) and Prepayments (\$344,194). It is not clear what these items are or that Choice Customers who are responsible for delivering their own gas to Columbia should be paying for these working capital items especially prepayments if those prepayments are related to gas supply.

