COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

AN INVESTIGATION OF THE IMPACT OF FEDERAL POLICY ON NATURAL GAS TO KENTUCKY CONSUMERS AND SUPPLIERS	)))	ADMINISTRATIVE CASE NO. 297

O R D E R

IT IS HEREBY ORDERED that:

1. As stated in the hearing of April 1, 1986, any party desiring to file additional comments as a result of the hearing shall file an original and 10 copies within 10 days of the date of this Order.

2. Within 10 days of the date of this Order, parties shall file an original and 10 copies of the following information as applicable.

Questions for Interstate Pipelines

1. What changes do you envision in supply contracts with LDCs during the next 5 years?

Questions for LDCs

1. What new type of contract provisions have you considered to take advantage of the changing market?

2. Do your suppliers require a daily contract demand charge, dedicated volume charge or capacity charge of any kind?

3. How does your company determine the level of capacity reserve required from your suppliers? What factors are considered and are they subject to negotiation between your

company and its supplier?

4. If 436 or some amended form is adopted by your suppliers, do you expect a change in the level of reserve capacity required by your LDC?

5. What sort of contract or tariff provisions do you consider necessary for end users who choose transportation service from your LDC in terms of:

a. interruptible service?

b. firm service?

6. Do you expect to have a capacity charge for firm service?

7. What cost factors do you consider relevant in determining a capacity charge? Should the fixed cost factors be based on normal through-put volumes?

8. Do you intend to sell only firm sales and firm transportation services until full capacity is reached at the LDC level?

9. If interruptible sales are contracted before full capacity of the LDC is reached, is there any real difference in the quality of service between firm and interruptible service at the LDC level? Would there be any cost of service difference?

10. Who should bear the financial burden, if any, of the unrecovered fully allocated cost when sales are made at less than fully allocated cost?

Columbia Gas of Kentucky

1. Describe the strategic supply plan that you are currently developing to match market requirements with least cost

gas supplies.

2. Why are supply average rates projected for the period 1986-1990 on Schedule 1b higher than most of those projected by other major distribution companies in Kentucky?

3. How were volumes projected to be purchased from Columbia Transmission for the years beyond March 1987 on Schedule 1(b) developed?

4. What factors would reduce the volume to be purchased from Columbia Transmission after March 1987 from the projections presented on Schedule 1(b)?

5. How were the projected average rates per Mcf presented in Schedule 1(b) determined for Columbia Tranmission, Other sources and Local Production for the years after March 1987?

6. What assumptions were used to develop the projected increase in through-put for the industrial customer class presented in response to Item No. 2(a) for the years 1988, 1989 and 1990?

7. What will be the sources of new load that will cause industrial through-put to rise significantly in 1988, 1989 and 1990?

8. What programs will Columbia of Kentucky use to recapture load lost to other suppliers?

9. What assumptions were used to develop the change in customer rates by class for the period 1986 through 1990?

Columbia Gas Transmission Corporation

1. In response to Question No. 1, Columbia Gas Transmission ("TCO") stated that Columbia's production properties will

eventually be transferred to Columbia Natural Resources, Inc. When does TCO expect the transfer to occur?

TCO also stated that the contracts with CNR contain no take or pay provisions and permit a semi-annual price redetermination by TCO. What factors will be used in calculating the semi-annual price redetermination?

2. In response to Question No. 2a, TCO provided projections based on its customer's estimates of requirements through 1990. Does TCO have a forecasting staff who develops projections of demand? If so, please provide those estimates.

3. Has TCO developed any projections for transportation volumes for the LDCs they serve? If so, please provide these estimates.

4. At the hearing on April 1, TCO indicated that they do not expect the current commodity rate of $3.59/dekatherm that is currently being charged to Columbia of Kentucky to decrease during the remainder of the FERC Settlement. The Settlement does permit a drop in the current price charged to Columbia of Kentucky if TCO's acquisition costs drop below $3.29/dekatherm. What factors preclude TCO's acquisition costs from dropping below $3.29/dekatherm until the settlement period ends?

Attorney General's Office

1. On page 3 you mention that the AG's Office would like to assist the PSC in developing an abandonment policy and/or duty to serve or reconnect policy for customers within a local distribution company's territory. Would you provide additional

information on this recommendation?

Louisville Gas and Electric Company

1. In response to Question No. 2(a) LG&E indicated that interviews were conducted with the largest customers of the Industrial G-1 and G-6 classes. Were any of these customers interested in transportation service? Have any of them considered purchasing natural gas directly from suppliers? Do any of these customers have alternate fuel capability?

2. Has LG&E developed any projections for transportation service for the period 1986 through 1990? If so, please provide these estimates.

Union Light, Heat and Power Company

1. How will acceptance of Order 436 by Columbia change the projections presented in Exhibit #2?

2. Why does ULH&P expect the volume of supply purchased on the spot market to decrease in 1989 and 1990 when compared to 1987 and 1988?

3. What is the basis for the price projections presented in Exhibit #2?

4. How long has ULH&P used the Service Area Economic Model, the Gas Energy Model, and the Gas Peak Model?

5. What is the statistical accuracy of each model?

6. How accurate have the projections of each model been when compared to historic use?

Western

1. In response to Question #1(b), WKG indicated that it expects the price of local production to drop from $3.313 Mcf in 1985 to $2.606/Mcf in 1986. What is the basis for this price decline?

2. Why did WKG choose a 4 percent inflation factor to determine the increase in natural gas prices through 1990?

3. In response to Question #2(a), WKG indicated that it expects the volume of natural gas purchased by the industrial class of customers to drop from 17,363,100 Mcf in 1985 to 7,426,000 Mcf in 1986. Why does WKG expect this to occur during 1986?

4. What is the basis for the assumption that most customers with sales over 200,000 Mcf/year will request transportation gas (used in response to Question #3(a))?

5. Answers to Question #15 indicate that WKG supports the elimination of rolled-in pricing. Why? What priority system would WKG use to allocate differently priced packages of natural gas among customer classes?

Delta

1. During the hearing, Delta indicated that it supports the elimination of rolled-in pricing. Why? What priority system would Delta use to allocate differently priced packages of natural gas among customer classes?

Done at Frankfort, Kentucky, this 18th day of April, 1986.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Secretary