

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| NOTICE OF PURCHASED GAS |) | |
| ADJUSTMENT FILING OF COLUMBIA |) | CASE NO. 2003-00295 |
| GAS OF KENTUCKY, INC. |) | |

O R D E R

On December 13, 2002, in Case No. 2002-00145, the Commission approved rates for Columbia Gas of Kentucky, Inc. (Columbia) and provided for their further adjustment in accordance with Columbia s gas cost adjustment (GCA) clause.

On August 1, 2003, Columbia filed its proposed GCA to be effective with its September 2003 billing cycle.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Columbia s notice includes rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Columbia s expected gas cost (EGC) is \$7.6240 per Mcf, a decrease of 9.95 cents per Mcf from its last EGC of \$7.7232.
3. Columbia s notice sets out a rate for Banking and Balancing Service of 2.09 cents per Mcf.
4. Columbia s notice sets out no take-or-pay refund adjustment.
5. Columbia s notice sets out no transportation take-or-pay refund adjustment.

6. Columbia's notice sets out no current refund adjustment (RA). Columbia's notice sets out a total RA of .64 cent per Mcf. This represents an increase of .07 cent from the prior RA.

7. Columbia experienced an under-recovery of its gas costs of \$23.9 million for the 12-months ending June 30, 2003. In recognition of the magnitude of this under-recovery, Columbia proposes three alternatives for collecting it through the Actual Cost Adjustment (ACA) component of its GCA: (1) recover the ACA over the standard 12-month period, which produces an ACA of \$2.1336 per Mcf; (2) recover the ACA over 24 months, including a 2.5 percent carrying charge, which produces an ACA of \$1.1287 per Mcf; or (3) recover the ACA over 36 months, including a 2.5 percent carrying charge, which produces an ACA of 76.30 cents per Mcf.

In order to avoid extending the ACA recovery so that it might be coupled with a subsequent under-recovery, and to keep the dollar amount of the under-recovery charged to ratepayers as low as possible, the standard 12-month period will be approved.

8. Columbia's notice sets out its 6-month balancing adjustment (BA) of (.01) cent per Mcf to reconcile variances from previous refund and balancing adjustments. This represents a decrease of 13.44 cents per Mcf from the previous rate.

9. Columbia's notice sets out a Special Agency Service refund adjustment of .02 cent per Mcf. This represents an increase from the previous rate.

10. Columbia's approved gas cost recovery rate (GCR) is \$9.7509 per Mcf, which is \$1.6442 per Mcf more than its previous GCR of \$8.1067.

11. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing with the final meter readings of the first billing cycle of September 2003.

IT IS THEREFORE ORDERED that the rates in the Appendix to this Order are approved for billing with the final meter readings of the first billing cycle of September 2003.

Done at Frankfort, Kentucky, this 29th day of August, 2003.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00295 DATED AUGUST 29, 2003

The following rates and charges are prescribed for the customers in the area served by Columbia Gas of Kentucky, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Gas Cost Recovery Rate

The total Gas Cost Recovery Rate shall be \$9.7509 per Mcf during the period covered by the bill.