

rates are generally designed to recover fixed capacity costs in the first (higher priced) blocks and volumetric or commodity costs in the third (lower priced blocks). Columbia's cost of service study submitted in this proceeding shows that the commodity cost of gas is \$0 for the DS/IS class² indicating that there are no volumetric costs being recovered from DS customers. Since the higher cost of the first two blocks is intended to recover fixed capacity costs, not commodity costs, it is reasonable for more of the rate increase to be recovered from the first two blocks. This is especially true since a customer with block 3 usage will still pay the same block 1 and block 2 rates as other customers for all usage below 100,000 Mcf per billing period.

WHEREFORE, KIUC respectfully requests that the Commission adopt the Stipulation in its entirety.

Respectfully submitted,

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² See Attachment RJA-2, page 33.\