



February 28, 2011

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

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MAR 01 2011
PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC
dba East Kentucky Utilities, Inc.

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC dba, East Kentucky Utilities, Inc. (EKU) we are filing for Gas Cost Adjustment for the period commencing April 1, 2011.

Enclosed is a Rates and Charges form and related calculations on which we base our request for rate changes. The cost of gas from EKU's supplier is the Inside FERC Columbia Appalachia First of Month rate times 80%. They also apply a gathering charge of \$0.72/Dth plus 11% fuel.

If you have any questions, please call me at 303-422-3400.

Sincerely,

KENTUCKY FRONTIER GAS, LLC
dba EAST KENTUCKY UTILITIES, INC.

A handwritten signature in cursive script that reads "Dennis R. Horner".

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost
Recovery Rate Calculation

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Date filed:

February 28, 2011

Date Rates to be Effective:

April 1, 2011

Reporting Period Ending:

December 31, 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>		<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$	5.3262
+ Refund Adjustment (RA)	\$/Mcf	\$	-
+ Actual Adjustment (AA)	\$/Mcf	\$	(0.5412)
+ Balance Adjustment (BA)	\$/Mcf	\$	-
= Gas Cost Recovery Rate (GCR)		\$	4.7850

GCR to be effective for service rendered from April 1, 2011 to June 30, 2011

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$	312,356.18
/	Sales for the 12 months ended <u>December 31, 2010</u>	Mcf		58,645
=	Expected Gas Cost (EGC)	\$/Mcf	\$	5.3262
B	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)		\$	-
+	Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
+	Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
+	Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$	-
=	Refund Adjustment (RA)	\$/Mcf	\$	-
C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Actual Adjustment for the Reporting Period (Sch. IV)	\$/Mcf	\$	0.0218
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	(0.0474)
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	(0.0838)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$	(0.4318)
=	Actual Adjustment (AA)	\$/Mcf	\$	(0.5412)
D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>		<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$	-
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$	-
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$	-
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$	-
=	Balance Adjustment (BA)	\$/Mcf	\$	-

East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual *MCF Purchases for 12 months ended December 31, 2010

(1) Supplier	(2) Dth	(3) BTU Conversion Facto	(4) Mcf	(5)** Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			58,129	\$ 5.3735	\$ 312,356.18
					\$ -
Totals			58,129		\$ 312,356.18
Line loss for 12 months ended and sales of	<u>December, 2010</u> 58,645	based on purchases of Mcf.		<u>58,129</u>	
				-0.89%	

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 312,356
/ Mcf Purchases (4)	Mcf	58,129
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 5.3735
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	58,129
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 312,356

** EGC rate is calculated as follows: NYMEX futures for Apr (\$4.0750/Dth),
May (\$4.1420/Dth) and Jun (\$4.2110/Dth) = average \$4.1427/Dth x 80% = \$3.3141/Dth
+ \$0.72/Dth (transportation) = \$4.0341/Dth + 11% (fuel charge) = \$4.4779/Dth x 1.2 Dth/Mcf = \$5.3735/Mcf

East Kentucky Utilities, Inc.

Schedule IV
Actual Adjustment

For the 3 month period ending December 31, 2010

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>
		<u>Oct-10</u>	<u>Nov-10</u>	<u>Dec-10</u>
Total Supply Volumes Purchased	Mcf	2,809	6,169	13,648
Total Cost of Volumes Purchased	\$	\$ 14,417	\$ 29,265	\$ 81,049
(divide by) Total Sales (not less than 95% of supply)	Mcf	2,669	5,861	12,966
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.4026	\$ 4.9936	\$ 6.2511
(minus) EGC in effect for month	\$/Mcf	\$ 5.7108	\$ 5.7108	\$ 5.7108
(equals) Difference	\$/Mcf	\$ (0.3082)	\$ (0.7172)	\$ 0.5403
(times) Actual sales during month	Mcf	2,226	5,262	10,626
(equals) Monthly cost difference	\$	\$ (686.14)	\$ (3,774.12)	\$ 5,741.01

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 1,280.75
(divide by) Sales for 12 Months ended <u>December 31, 2010</u>	Mcf	58,645
(equals) Actual Adjustment for the Reporting Period		\$ 0.0218
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.0218

