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January 9, 2007

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

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JAN 10 2007

PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Revision to GCR Filing
Case No. 2006-00560
GCR Filing Proposed to Become
Effective February 1, 2007

Dear Ms. O'Donnell:

Enclosed are an original and five copies of a revision to Schedules 1 and 2, as well as the Summary of Proposed Tariff Rates, of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing (Case No. 2006-00560) for the calendar quarter ended October 31, 2006, for rates proposed to become effective February 1, 2007. Also included are an original and five copies of One Hundred Seventeenth Revised Sheet No. 2 and One Hundred Ninth Revised Sheet No. 5, to Equitable's PSC Kentucky No. 1 Tariff, which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff.

This revision is requested to reflect the drop in future Nymex pricing and proposes a GCR rate of \$9.8748 per Mcf of sales, a decrease of \$1.4764 per Mcf from the current PGA, which was approved in Case No. 2006-00421 effective November 1, 2006.

If you have any questions please give me a call at 412-395-3248.

Yours truly,

Robert M. Narkevic
Manager, Rates

Enclosures

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period February 1, 2007 through April 30, 2007

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Line No.	Units (1)	Amount (2)	
<u>GCR Components</u>			
1	\$/Mcf	10.5974	
2	\$/Mcf	0.0000	
3	\$/Mcf	(0.8375)	
4	\$/Mcf	0.1149	
5	\$/Mcf	<u>9.8748</u>	
			(EGC + RA + ACA + BA)
<u>Expected Gas Cost Calculation (EGC)</u>			
6	\$	2,364,911	(a)
7	Mcf	<u>223,159</u>	(b)
8	\$/Mcf	<u>10.5974</u>	
			(Line 6 ÷ Line 7)
<u>Supplier Refund Adjustment Summary</u>			
9	\$/Mcf	0.0000	(c)
10	\$/Mcf	0.0000	(d)
11	\$/Mcf	0.0000	(e)
12	\$/Mcf	0.0000	(f)
13	\$/Mcf	<u>0.0000</u>	
<u>Actual Cost Adjustment Summary</u>			
14	\$/Mcf	(0.2217)	(g)
15	\$/Mcf	0.0826	(d)
16	\$/Mcf	(0.0675)	(e)
17	\$/Mcf	(0.6309)	(f)
18	\$/Mcf	<u>(0.8375)</u>	
<u>Balance Adjustment Summary</u>			
19	\$/Mcf	(0.0357)	(h)
20	\$/Mcf	0.0514	(d)
21	\$/Mcf	0.1036	(e)
22	\$/Mcf	(0.0044)	(f)
23	\$/Mcf	<u>0.1149</u>	

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during August 2006 through October 2006.

(d) As approved in Case No. 2006-00421.

(e) As approved in Case No. 2006-00319.

(f) As approved in Case No. 2006-00127.

(g) See Schedule 4.

(h) See Schedule 5.

Equitable Gas Company
Kentucky Division

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended October 2006 At Supplier
Costs Estimated to Become Effective February 1, 2007

	<u>Purchases</u>	<u>Purchases</u>	<u>Average Rate</u>	<u>Annual Cost</u>
	(1)	(2)	(3)	(4)
	Mcf	Dth	\$/Dth	\$
			(a)	(2) x (3)
<u>PURCHASES</u>				
1 November 2005	15,849	19,876	8.3510	165,984
2 December	37,166	46,742	8.3510	390,342
3 January 2006	40,771	51,050	8.3510	426,319
4 February	37,470	47,563	8.3510	397,199
5 March	36,263	46,212	8.3510	385,916
6 April	21,288	27,595	8.3510	230,446
7 May	9,159	11,783	8.3510	98,400
8 June	6,945	8,918	8.3510	74,474
9 July	4,128	5,365	8.3510	44,803
10 August	3,930	5,042	8.3510	42,106
11 September	3,510	4,493	8.3510	37,521
12 October	6,680	8,550	8.3510	71,401
13 Total	<u>223,159</u>	<u>283,189</u>	<u>-</u>	<u>2,364,911</u>

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 3 month period, plus \$0.72065/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Equitable Gas Company
Kentucky Division

Summary of Proposed Tariff Rates

	<u>Current Tariff Rate</u>	<u>Current GCR Rate</u>	<u>Proposed GCR Rate</u>	<u>Difference</u>	<u>Proposed Tariff Rate</u>
	(1)	(2)	(3)	(4)	(5)
	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf
	(a)	(b)		(3) - (2)	(1) + (4)
All MCF	13.4834	11.3512	9.8748	(1.4764)	12.0070

(a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.

(b) Rate approved by the Commission at Case No. 2006-00421.

RATE

Customer: Various

Expiration: See "Special Conditions"

Point of Delivery:

At connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Equitable Gas Company's service area.

Rate:

Customer Service Charge: \$7.50

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate*</u>	=	<u>Total Rate</u>	
All Mcf	\$2.1322		\$9.8748 per MCF		\$12.0070	(D)

The minimum monthly bill shall be \$7.50.

*The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 4 and 5 of this tariff.

The following adjustment shall be made to the above rates:

- (1) Customer bills may also include gross receipts license taxes as authorized under the Kentucky Education Reform Act of 1990.

Gas delivered pursuant to this tariff is from pipelines owned and operated by Equitable Gas Company's supplier and all gas sold hereunder is made available by said supplier. Equitable shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Equitable's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

(D) Indicates Decrease.

ISSUED: January 9, 2007

EFFECTIVE: February 1, 2007

D. L. Frutchey
Senior Vice President

PURCHASED GAS ADJUSTMENT CLAUSE
(Continued)

Definitions

For purposes of this tariff:

- a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased gas volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment; i.e., $GCR = EGC + RA + ACA + BA$.
- c. "Calendar Quarters" means each of the four three-month periods of (1) February, March, and April; (2) May, June, and July; (3) August, September, and October; (4) November, December, and January.
- d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates; i.e., the calendar quarters ended April 30, July 31, October 31, and January 31 of each year.

Gas Cost Recovery Rate (GCR):

Expected Gas Supply Cost (EGC)	10.5974	(D)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	(0.8375)	(D)
Balance Adjustment (BA)	<u>0.1149</u>	(D)
Total Gas Cost Recovery Rate per Mcf	9.8748	(D)

(D) Indicates Decrease.

ISSUED: January 9, 2007

EFFECTIVE: February 1, 2007

D. L. Frutchey
Senior Vice President