



September 27, 2011

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

RECEIVED

OCT 3 2011

PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
B.T.U. Gas Company

Dear Mr. Derouen:

Kentucky Frontier Gas, LLC (KFG) appointed as operator of B.T.U. Gas Company by the U.S. Bankruptcy Court, Case No. 10-70767-TNW, August 11, 2011, has filed a tariff with the Public Service Commission to allow a gas cost adjustment (GCA) effective September 25, 2011.

Enclosed is a GCA form and related calculations on which we base our request for rate changes. The cost of gas from B.T.U. suppliers is the Inside FERC Columbia Appalachia First of Month rate times 80%.

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

Sincerely,

KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

BTU Gas Company, Inc.
(Name of Utility)

CANCELING P.S. KY. NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

APPLICABLE: Entire area served

AVAILABILITY OF SERVICE: Domestic and commercial use in applicable areas.

A. MONTHLY RATES:

	<u>Base Rate</u>	<u>GCR</u>	<u>Total</u>
FIRST (1) MCF (MINIMUM BILL)	\$ 3.9000	4.2999	8.1999
OVER 1 MCF	\$ 2.9700	4.2999	7.2699

B. DEPOSITS:

DATE OF ISSUE _____ September 27, 2011 _____

DATE EFFECTIVE _____ November 1, 2011 _____

ISSUED BY _____  _____
(Signature of Officer)

TITLE _____ Member _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

Company Name

BTU Gas Company, Inc.

2 Month Report of Gas Cost
Recovery Rate Calculation

Date filed: September 27, 2011

Date Rates to be Effective: November 1, 2011

Reporting Period Ending: _____

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

	<u>Component</u>	<u>Unit</u>	<u>Amount</u>
	Expected Gas Cost (EGC)	\$/Mcf	\$ 4.2999
+	Refund Adjustment (RA)	\$/Mcf	\$ -
+	Actual Adjustment (AA)	\$/Mcf	\$ -
+	Balance Adjustment (BA)	\$/Mcf	\$ -
=	Gas Cost Recovery Rate (GCR)		\$ 4.2999

GCR to be effective for service rendered from Nov 1, 2011 to Dec 31, 2011

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 36,601
/	Sales for the 2 months ended: December 31, 2011	Mcf	8,512
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 4.2999

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	\$ -
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
=	Actual Adjustment (AA)	\$/Mcf	\$ -

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	\$ -

BTU Gas Company, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Estimated *MCF Purchases for 2 months ended: December 31, 2011

(1) Supplier	(2) Dth	(3) Conversion Fact	(4) Mcf	(5)* Rate	(6) (4) x (5) Cost
Interstate Natural Gas			4,480	\$ 4.0849	\$ 18,300
Nytis			4,480	\$ 4.0849	\$ 18,300
				\$	-
				\$	-
Totals			8,960		\$ 36,601

Estimated loss for 2 mos ended Dec-11 based on purchases of 8,960
and sales of 8,512 Mcf. 5.00% **

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 36,601
/ Mcf Purchases (4)	Mcf	8,960
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.0849
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	8,960
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 36,601

* EGC rate is 80% of NYMEX futures + \$0.12 TCo Appalachia basis: Nov (\$3.1220/Dth); and Dec (\$3.3320/Dth).
2 month wtd. avg. = \$3.2420/Dth x 1.2 Mcf/Dth = \$3.8904/Mcf + 5% L&U = \$4.0849
Wtd. avg. calcu using est. 2 mo. vol. of 8,960 Mcf from BTU's 2008 Annual Report (Nov - 3,840 Mcf; Dec - 5,120 Mcf).

** A minimum of 5% L&U is anticipated due to numerous unmetered residential/commercial customers and distribution line losses.