COMPANY NAME

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed:

Date Rates to be Effective:

Reporting Period is Calendar Quarter Ended:

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

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

GCR to be effective for service rendered from _____ to _____

A. EXPECTED GAS COST CALCULATION	Unit	Amount
Total Expected Gas Cost (Schedule II)	$	
÷ Sales for the 12 months ended	Mcf	
= Expected Gas Cost (EGC)	$/Mcf	

B. REFUND ADJUSTMENT CALCULATION	Unit	Amount
Supplier Refund Adjustment for Reporting Period (Sch. III)	$/Mcf	
+ 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. ACTUAL ADJUSTMENT CALCULATION	Unit	Amount
Actual Adjustment for the Reporting Period (Schedule 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. BALANCE ADJUSTMENT CALCULATION	Unit	Amount
Balance Adjustment for the Reporting Period (Schedule 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	

SCHEDULE II

EXPECTED GAS COST

Actual* Mcf Purchases for 12 months ended _____

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5)** Rate	(6) (4)x(5) Cost
Totals	_____		_____		_____

Line loss for 12 months ended _____ is ____% based on purchases of _____ Mcf and sales of _____ Mcf.

	Unit	Amount
Total Expected Cost of Purchases (6)	$	
÷ Mcf Purchases (4)	Mcf	_____
= Average Expected Cost Per Mcf Purchased	$/Mcf	
x Allowable Mcf purchases (must not exceed Mcf sales ÷ .95)	Mcf	_____
= Total Expected Gas Cost (to Schedule IA.)	$	

*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.
**Supplier's tariff sheets or notices are attached.

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended ___ (reporting period) ___

Particulars	Unit	Amount
Total supplier refunds received	$	
+ Interest	$	_____
= Refund Adjustment including interest	$	
÷ Sales for 12 months ended _____	Mcf	_____
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	$/Mcf	

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended ____(reporting period)____

Particulars	Unit	Month 1 ( )	Month 2 ( )	Month 3 ( )
Total Supply Volumes Purchased	Mcf			
Total Cost of Volumes Purchased	$			
÷ Total Sales (may not be less than 95% of supply volumes)	Mcf			
= Unit Cost of Gas	$/Mcf			
- EGC in effect for month	$/Mcf			
= Difference [(Over-)/Under-Recovery]	$/Mcf			
x Actual sales during month	Mcf			
= Monthly cost difference	$			

	Unit	Amount
Total cost difference (Month 1 + Month 2 + Month 3)	$	
÷ Sales for 12 months ended _____	Mcf	
= Actual Adjustment for the Reporting Period (to Schedule IC.)	$/Mcf	

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2004-00041 DATED February 23, 2004.

PEOPLE'S GAS COST ADJUSTMENT CLAUSE

For Phelps

P.S.C. KY NO. 1

~~original~~ SHEET NO. 15

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Peoples Gas
Name of Issuing Corporation

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE

Determination of GCRR

The Company shall file a quarterly report with the Commission which shall contain an updated Gas Cost Recovery Rate (GCRR), as calculated in accordance with the provisions set forth in the Definitions Section hereinafter, and which shall be filed at least 30 days prior to the beginning of each calendar quarter. The GCRR shall become effective for billing for service rendered on or after the first day of each calendar quarter.

Billing

Gas Cost Recovery Rate to be applied to bills of customers shall equal the of the following components:

GCRR = EGCA + ACA + RA.

The GCRR will be added to or subtracted from the base rates prescribed by the Commission Order on the Company's latest general rate case and will be included in the tariff rates stated on each applicable rate sheet within this tariff.

Definitions

For purposes of this tariff:

a. The "Gas Cost Recovery Rate" (GCRR) represents the adjustment calculated quarterly at a time 30 days prior to the beginning of the next calendar quarter and which is to be used for all gas sales during the next calendar quarter. It is the sum of the Expected Gas Cost Component plus the Actual Cost Adjustment plus the Supplier Refund Adjustment as defined and calculated as follows in (b) - (e) hereinafter; i.e., GCRR = EGCA + ACA + RA.

b. The "Expected Gas Cost Component" (EGCA), on a dollars per Mcf basis, represents the expected cost of purchased gas for

PUBLIC SERVICE COMMISSION OF KENTUCKY EFFECTIVE AUG 01 2001 PURSUANT TO 807 KAR 5:011, SECTION 9 (1) BY: SECRETARY OF THE COMMISSION

DATE OF ISSUE August 19, 2001 DATE EFFECTIVE August 1, 2001

ISSUED BY Kal McKinney
NAME OF OFFICER

For Phelps

P.S.C. KY NO. 1

original SHEET NO. 16

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Peoples Gas
Name of Issuing Corporation

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE
(continued)

the next calendar quarter based on 12 months of actual usage. The 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 volumes for the most recently available 12-month period, divided by the corresponding sales volume. In the event that line loss exceeds 5 percent, purchased volumes for the 12-month period shall be calculated as: sales volumes ÷ .95. 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 adjustment of this type shall be described in the quarterly Gas Cost Recovery Rate application.

c. The "Actual Cost Adjustment" (ACA) on a dollar-per-Mcf basis compensates for differences between previous quarters' expected gas cost and the actual cost of gas. The ACA shall equal the sum of the ACA for the reporting period and for the 3 preceding calendar quarters. This may also be used to compensate for any over- or under-recoveries remaining from previous actual or refund adjustments after a 12-month period.

d. The "Supplier Refund Adjustment" (RA) on a dollar-per-Mcf basis reflects the refunds received from suppliers during the reporting period, plus interest at a rate equal to one-half of one percent below the average 90-day Commercial Paper Rate for the 12-month period. In the event of any large or unusual refunds, the Company may apply to the Public Service Commission for the right to depart from the refund procedure herein set forth.

e. "Calendar Quarter(s)" means each of the four 3-month periods of: (1) May, June and July; (2) August, September and October; (3) November, December and January; (4) February, March and April.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
AUG 01 2001
PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Stephanie Bell
SECRETARY OF THE COMMISSION

DATE OF ISSUE August 19, 2001 DATE EFFECTIVE August 1, 2001

ISSUED BY Op. Mgr.
NAME OF OFFICER

For Phelps

P.S.C. KY NO. 1

original SHEET NO. 14

Peoples Gas
Name of Issuing Corporation

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

PURCHASED GAS COST ADJUSTMENT CLAUSE
(Continued)

f. "Reporting Period" means the 3-month accounting period that ended approximately 60 days prior to the filing date of the updated GCRR for the calendar quarters ended January 31, April 30, July 31 and October 31 of each year.

g. "Next Calendar Quarter" means the calendar quarter beginning approximately 30 days from the required filing date of the updated GCRR.

Interim Gas Cost Adjustments

Should any significant change in supplier rate occur, the Company may apply to the Public Service Commission for an interim purchased gas cost adjustment in addition to the regular quarterly Purchased Gas Cost Adjustment Clause filings.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

AUG 01 2001

PURSUANT TO 807 KAR 5:011,
SECTION 9 (1)
BY: Stephanie Bell
SECRETARY OF THE COMMISSION

DATE OF ISSUE August 19, 2001 DATE EFFECTIVE August 1, 2001

ISSUED BY Rod McCurry TITLE Operations Mng
NAME OF OFFICER