

BELFRY GAS COMPANY, INC.

Post Office Box 155
Allen, Kentucky 41601
(606) 874-2846

RECEIVED
AUG 30 2004
PUBLIC SERVICE
COMMISSION

August 26, 2004

Case 2004-00333

Public Service Commission
Attn: Thomas Dorman
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Dear Mr. Dorman:

Please find enclosed Belfry Gas Company's PGA for October 1, 2004, thru January 1, 2005.

If you have any further questions, please feel free to contact me at the above address or telephone number.

Sincerely,



Stephen G. Jenkins, Manager
Belfry Gas Company, Inc.

Enclosure

BELFRY GAS COMPANY

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed:

AUGUST 27, 2004

Date Rates to be Effective:

OCTOBER 1, 2004

Reporting Period is Calendar Quarter Ended:

JUNE 30, 2004

SCHEDULE I
GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 7.7697
+ Refund Adjustment (RA)	\$/Mcf	- 0 -
+ Actual Adjustment (AA)	\$/Mcf	.0592
+ Balance Adjustment (BA)	\$/Mcf	- 0 -
= <u>Gas Cost Recovery Rate (GCR)</u>	\$/Mcf	\$ 7.8289

GCR to be effective for service rendered from Oct. 1, 2004 to Dec. 31, 2004

A. EXPECTED GAS COST CALCULATION

	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Schedule II)	\$	408,180
+ Sales for the 12 months ended <u>JUNE 30, 2004</u>	Mcf	52,535
= <u>Expected Gas Cost (EGC)</u>	\$/Mcf	7.7697

B. REFUND ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	0
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	{
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	{
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	{
= <u>Refund Adjustment (RA)</u>	\$/Mcf	0

C. ACTUAL ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	.0412
+ Previous Quarter Reported Actual Adjustment	\$/Mcf	.0107
+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	.0060
+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	.0013
= <u>Actual Adjustment (AA)</u>	\$/Mcf	.0592

D. BALANCE ADJUSTMENT CALCULATION

	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	0
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	{
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	{
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	{
= <u>Balance Adjustment (BA)</u>	\$/Mcf	0

SCHEDULE II
EXPECTED GAS COST

Actual* Mcf Purchases for 12 months ended JUNE 30, 2004

(1) <u>Supplier</u>	(2) <u>Dth</u>	(3) Btu <u>Conversion Factor</u>	(4) <u>Mcf</u>	(5)** <u>Rate</u>	(6) <u>(4)x(5) Cost</u>
KINHAG DEVELOPMENT COMPANY, LLC	44,429	1.20	53,315	7.6560	\$ 408,180

Totals	<u>44,429</u>		<u>53,315</u>		<u>\$ 408,180</u>
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Line loss for 12 months ended JUNE 30, 2004 is 1.46% based on purchases of 53,315 Mcf and sales of 52,535 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	408,180
+ Mcf Purchases (4)	Mcf	53,315
= Average Expected Cost Per Mcf Purchased	\$/Mcf	7.6560
x Allowable Mcf purchases (must not exceed Mcf sales + .95)	Mcf	53,315
= Total Expected Gas Cost (to Schedule IA.)	\$	408,180

*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 JUNE 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	0
+ Interest	\$	
= Refund Adjustment including interest	\$	0
+ Sales for 12 months ended	Mcf	
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	0

SCHEDULE IV
ACTUAL ADJUSTMENT

For the 3 month period ended JUNE 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Month 1 (APR)</u>	<u>Month 2 (MAY)</u>	<u>Month 3 (JUN)</u>
Total Supply Volumes Purchased	Mcf	5792	1835	848
Total Cost of Volumes Purchased	\$	42,606	13,498	6,238
+ Total Sales (may not be less than 95% of supply volumes)	Mcf	5,502	1835	808
= Unit Cost of Gas	\$/Mcf	7.7437	7.3542	7.7203
- EGC in effect for month	\$/Mcf	7.3782	7.3782	7.3782
= Difference [(Over-)/Under-Recovery]	\$/Mcf	.3655	(.024)	.3421
x Actual sales during month	Mcf	5,292	1835	808
= Monthly cost difference	\$	1934	(44)	276

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	2166
+ Sales for 12 months ended <u>JUNE 30, 2004</u>	Mcf	52535
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	.0412

SCHEDULE V
BALANCE ADJUSTMENT

For the 3 month period ended JUNE 30, 2004

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total Cost Difference used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	_____
Less: Dollar amount resulting from the AA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the AA was in effect.	\$	_____
Equals: Balance Adjustment for the AA.	\$	_____
(2) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	_____
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the RA was in effect.	\$	_____
Equals: Balance Adjustment for the RA.	\$	_____
(3) Total Balance Adjustment used to compute BA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	_____
Less: Dollar amount resulting from the BA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the BA was in effect.	\$	_____
Equals: Balance Adjustment for the BA.	\$	_____
Total Balance Adjustment Amount (1) + (2) + (3)	\$	_____
+ Sales for 12 months ended _____	Mcf	_____
= Balance Adjustment for the Reporting Period (to Schedule ID.)	\$/Mcf	○

KINHAG DEVELOPMENT COMPANY, LLC

P.O. Box 155
Allen, KY 41601

August 25, 2004

Belfry Gas Company, Inc.
P.O. Box 504
Allen, KY 41601

RE: Gas Purchase Contract

Gentlemen:

This is to notify you that there will be a gas price adjustment effective October 1, 2004. Your company will be charged a cost of \$7.6560 per MCF delivered. This amount is calculated based on the terms of the contract between Belfry Gas Company, Inc., and KinHAG Development Company, LLC, and the most current FERC Index as of August 24, 2004. Enclosed is a copy of the NYMEX summary, with the Index indicated at the bottom.

Sincerely,



KINHAG Development Company, LLC

Enclosure

NYMEX

24 August 04 - Settle

Month	Price	Change	Highest	Lowest
Sept.	5.338	+0.028	6.762	1.484
Oct.	5.475	+0.009	6.772	1.406
Nov.	6.209	-0.042	6.922	1.772
Dec.	6.694	-0.042	7.100	1.661
Jan.	6.974	-0.031	9.978	1.639
Feb.	6.944	-0.031	9.819	1.046
Mar.	6.802	-0.033	9.577	1.249
Apr.	6.122	-0.018	7.680	1.418
May	5.994	-0.016	6.642	1.596
June	6.019	-0.006	6.705	1.685
July	6.051	-0.004	6.767	1.517
Aug	6.066	-0.004	6.797	1.385

Ave. =6.2240

6.2240 + .24 = 6.4640

OCTOBER CRUDE 45.21 -0.84

3:30 PM DOW 10,090.38 +17.33 ALL TIME HIGH 11,722.90

3:30 PM NASDAC 1831.49 -7.21

01 September through 07 September - The Northeast and the Southwest will be warmer than normal.

INSIDE FERC INDICES FOR AUGUST

COLUMBIA APPALACHIA = \$6.28

COLUMBIA GULF ONSHORE LA. = \$5.98

BASIS = \$.30

TENN. LA 800 LEG - \$5.94

DOMINION TRANS. (APPAL) = \$6.30

GAS COMPANY, INC
KY 41601

FIRST CLASS

RECEIVED
AUG 30 2004
PUBLIC SERVICE
COMMISSION

PUBLIC SERVICE COMMISSION
ATTN: MR. THOMAS M. DORMAN
211 SOWER BOULEVARD
P. O. BOX 615
FRANKFORT, KY 40602-0615

