



RECEIVED

SEP 29 2004

PUBLIC SERVICE  
COMMISSION

200 Allegheny Center Mall  
Pittsburgh, PA 15212.5352  
www.eqt.com

September 27, 2004

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

RE: Equitable Gas Company  
Case No.  
GCR Filing Proposed to Become  
Effective November 1, 2004

Dear Ms. O'Donnell:

2004-00386

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended July 31, 2004, for rates proposed to become effective November 1, 2004. Also included are an original and five copies of One Hundred-Seventh Revised Sheet No. 2 and Ninety-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 filing proposes a GCR rate of \$10.6835 per Mcf of sales, an increase of \$0.2504 per Mcf from the current PGA, which was approved in Case No. 2004-00255 effective August 1, 2004.

For the purpose of forecasting its (EGC), Equitable is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the 3 month Nymex strip beginning November 2004, and adding an additional \$0.27 Basis. A copy of the September 21, 2004 edition of the Gas Daily Nymex Futures is attached.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended July 2004. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended July 2004.

Schedules 4 and 5 are summaries of ACA components which are presently unreconciled.

Yours truly,

Robert M. Narkevic  
Manager, Rates

Enclosures

---

---

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		\$10.6835 per MCF		\$12.8157	(I)

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.

(I) Denotes Increase.

---

---

ISSUED: September 27, 2004

EFFECTIVE: November 1, 2004

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)	9.7293	(D)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	0.6119	(I)
Balance Adjustment (BA)	<u>0.3423</u>	(I)
Total Gas Cost Recovery Rate per Mcf	10.6835	(I)

(I) Denotes Increase. (D) Denotes Decrease.

---

---

ISSUED: September 27, 2004

EFFECTIVE: November 1, 2004

D. L. Frutchey  
Senior Vice President

Equitable Gas Company  
Kentucky Division

Summary of Gas Cost Recovery Rate  
Proposed to Become Effective for the  
Period November 1, 2004 through January 31, 2005

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf	9.7293
2	Supplier Refund (RA)	\$/Mcf	0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf	0.6119
4	Balance Adjustment (BA)	\$/Mcf	<u>0.3423</u>
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf	<u><u>10.6835</u></u>
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$	2,872,913 (a)
7	Total Annual Sales	Mcf	<u>295,286 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf	<u><u>9.7293</u></u>
 <u>Supplier Refund Adjustment Summary</u>			
9	Current Quarter Refund Adjustment	\$/Mcf	0.0000 (c)
10	Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (d)
11	2nd Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (e)
12	3rd Previous Quarter Refund Adjustment	\$/Mcf	<u>0.0000 (f)</u>
13	Supplier Refund Adjustment (RA)	\$/Mcf	<u><u>0.0000</u></u>
 <u>Actual Cost Adjustment Summary</u>			
14	Current Quarter Adjustment	\$/Mcf	0.0982 (g)
15	Previous Quarter Adjustment	\$/Mcf	0.1802 (d)
16	2nd Previous Quarter Adjustment	\$/Mcf	0.5381 (e)
17	3rd Previous Quarter Adjustment	\$/Mcf	(0.2046) (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf	<u><u>0.6119</u></u>
 <u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf	0.3155 (h)
20	Previous Quarter Adjustment	\$/Mcf	0.0487 (d)
21	2nd Previous Quarter Adjustment	\$/Mcf	(0.0030) (e)
22	3rd Previous Quarter Adjustment	\$/Mcf	(0.0189) (f)
23	Balance Adjustment (BA)	\$/Mcf	<u><u>0.3423</u></u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during May 2004 through July 2004.

(d) As approved in Case No. 2004-00255.

(e) As approved in Case No. 2004-00100.

(f) As approved in Case No. 2003-00493.

(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 July 2004 At Supplier  
Costs Estimated to Become Effective November 1, 2004

	<u>Purchases</u> (1) Mcf	<u>Purchases</u> (2) Dth	<u>Average Rate</u> (3) \$/Dth (a)	<u>Annual Cost</u> (4) \$ (2) x (3)
<u>PURCHASES</u>				
1 August 2003	5,459	6,866	8.0266	55,111
2 September	5,071	5,555	8.0266	44,588
3 October	9,915	7,306	8.0266	58,642
4 November	19,479	28,496	8.0266	228,726
5 December	39,137	53,660	8.0266	430,707
6 January 2004	62,519	79,883	8.0266	641,189
7 February	41,774	80,353	8.0266	644,961
8 March	62,197	30,048	8.0266	241,183
9 April	29,296	41,554	8.0266	333,537
10 May	9,845	11,051	8.0266	88,702
11 June	6,030	7,307	8.0266	58,650
12 July	4,565	5,845	8.0266	46,915
13 Total	<u>295,286</u>	<u>357,924</u>	<u>-</u>	<u>2,872,913</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 Sales

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Sales</u> (1) Mcf
1	August 2003	5,459
2	September	5,071
3	October	9,915
4	November	19,479
5	December	39,137
6	January 2004	62,519
7	February	41,774
8	March	62,197
9	April	29,296
10	May	9,845
11	June	6,030
12	July	4,565
13	Total	<u>295,286</u>

Equitable Gas Company  
Kentucky Division

Calculation of Actual Cost Adjustment for the Period  
May 2004 through July 2004

<u>Description</u>	<u>Unit</u> (1)	<u>May</u> (2)	<u>June</u> (3)	<u>July</u> (4)	<u>Total</u> (5)
1 Supply Volume Per Invoice	Dth	11,051	7,307	5,845	24,203
2 Supply Cost Per Books	\$	91,960	94,119	11,148	197,226
3 Sales Volume	Mcf	9,845	6,030	4,565	20,440
4 EGC Rate in Effect (a)	\$/Mcf	8 2309	8 2309	8 2309	
5 EGC Revenue (Line 3 x Line 4)	\$	81,030	49,632	37,574	168,236
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	(10,930)	(44,487)	26,427	(28,990)
7 Total Current Quarter Actual Cost to be included in rates					(28,990)
8 Sales for the 12 Months Ended July 2004					295,286
Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					0.0982

(a) Approved in Case No. 2004-00100.

Equitable Gas Company  
Kentucky Division

Calculation of Balancing Adjustment for  
Over/(Under) Recoveries of Gas Cost Incurred  
During the Period August 2003 through July 2004

	<u>Sales</u>	<u>ACA</u> <u>Rate</u>	<u>ACA</u> <u>Recovery</u>	<u>Over/(Under)</u> <u>Collection</u> <u>Balance</u>
	(1)	(2)	(3)	(4)
	Mcf	\$/Mcf	\$ (1) x (2)	\$
Balance Approved by the Commission in Case No. 2003-00241				(601,842)
<u>Actual</u>				
August 2003	5,459	1.7227	9,404	(592,438)
September	5,071	1.7227	8,736	(583,702)
October	9,915	1.7227	17,081	(566,621)
November	19,479	1.7227	33,556	(533,065)
December	39,137	1.7227	67,421	(465,643)
January 2004	62,519	1.7227	107,701	(357,942)
February	41,774	1.7227	71,964	(285,978)
March	62,197	1.7227	107,146	(178,832)
April	29,296	1.7227	50,467	(128,364)
May	9,845	1.7227	16,959	(111,405)
June	6,030	1.7227	10,388	(101,017)
July	4,565	1.7227	7,864	(93,153)
Total	<u>295,286</u>		<u>508,689</u>	
Estimated Annual Sales				295,286 Mcf
Balancing Adjustment (\$93,153 ÷ 295,286 Mcf)				\$0.3155 /Mcf



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	12.5653	10.4331	10.6835	0.2504	12.8157

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

(b) Rate approved by the Commission at Case No. 2004-00255.

meantime, operators and producers located on the 523M-2300 line from Eugene Island 365 to Ship Shoal 198, and operators and producers located between Ship Shoal 198 and Cocodrie, will remain shut in until further notice, the company said.

Tennessee also said Monday that it was continuing to assess damage to the Bay Marchand 5 Central Gathering structure and will be establishing a repair plan. In the meantime, operators and producers for Grand Isle 37R, the Grand Isle 47 and South Timbalier 22 dehydration plants, Grand Isle 48J and South Timbalier 54 will remain shut in.

Tennessee also is investigating a leak near the 527A-700 line that has resulted in the shut-in of South Pass 77A and dehydration facilities at West Delta 109, South Pass 78 and South Pass 57A. SGS/Staff

## LNG vital to U.S. manufacturers ... from page 1

increase by as much as 80% over the next 15 years."

Absent a "dramatic increase in the supply of natural gas in the near to medium term, energy-intensive manufacturers in the United States will find themselves at an increasing disadvantage compared to competitors in Europe, Russia, the Middle East, Indonesia and parts of Latin America, which enjoy stable and inexpensive [gas] supplies," it said.

The report, entitled "Liquefied Natural Gas and the Future of Manufacturing," said surging gas prices have caused widespread job losses, including more than 90,000 in the chemicals sector alone. High gas costs also are forcing out "high-skilled jobs and a research base in an innovative industrial sector that should be one of the pillars of the U.S. economy."

While some options for increasing gas supplies domestically do exist—including building a pipeline to transport Alaskan gas to the Lower-48 states—such projects are not likely to be in place for at least 10 years, the alliance said. As a result, the group said the energy industry must take advantage of the world's vast reserves of stranded gas by importing more LNG.

Technical advances have lowered the delivered cost of LNG to between \$2 and \$4/MMBtu, a range well below the current average wellhead price of gas of about \$5/MMBtu, according to the report. "This means that LNG imports can compete with conventional gas supplies," it said. "The expansion of gas supplies can be facilitated by the expeditious review of proposals to construct LNG receiving terminals."

The alliance estimated that at if eight new LNG terminals are built, the resulting increase in supplies could meet more than 22% of domestic consumption by 2010 and reduce gas costs by 20% to 25%. JB

## Peoples cuts jobs amid restructuring ... from page 1

related costs by approximately \$15 million in fiscal 2005—higher than previous estimates," Peoples said. Two months ago, the company announced it was offering buyouts to 1,200 non-union employees in hopes of achieving savings of between \$8 million and \$10 million (GD 7/26).

The streamlining process will enhance customer service while shoring up the company's financial future, Thomas Patrick, Peoples' chairman, president and CEO, said Monday. For example, he said the combination of the company's call center and field operation staffs should result in better service.

The past fiscal year has been "challenging," Patrick told analysts in a conference call, but he said he "fully anticipates" that Peoples' financial results will improve substantially in the coming year.

Peoples said it will post a charge of about \$17 million related to the voluntary severance program in the fourth quarter of its 2004 fiscal year that ends Sept. 30. Factoring in that charge, the company forecasts fiscal-2004 earnings of \$2.20 to \$2.30/share, down from its previous estimate of \$2.60 to \$2.70/share.

The revised estimate also reflects modestly lower-than-expected operating results in its gas distribution business as well as a delay in power asset sales that

### NYMEX Henry Hub gas futures contract, Sep 20

	Settlement	High	Low	+/-	Volume*
October, 2004	5.249	5.260	5.120	+14.1	39912
November	5.750	5.770	5.660	+3.6	25883
December	6.315	6.390	6.250	-4.4	11764
Jan., 2005	6.632	6.700	6.580	-6.9	7596
February	6.627	6.670	6.600	-6.4	3305
March	6.512	6.570	6.480	-6.1	3240
April	6.012	6.035	6.000	-3.3	3554
May	5.887	5.920	5.880	-3.3	1139
June	5.919	5.960	5.910	-2.9	271
July	5.952	5.960	5.945	-2.8	505
August	5.977	5.990	5.980	-2.8	322
September	5.967	5.980	5.970	-2.8	119
October	5.987	6.010	5.990	-3.3	365
November	6.216	6.230	6.220	-3.6	223
December	6.427	6.435	6.435	-3.8	194
Jan., 2006	6.567	6.600	6.600	-3.8	201
February	6.527	6.570	6.570	-3.8	22
March	6.372	6.400	6.400	-3.8	10
April	5.662	5.662	5.662	-3.8	131
May	5.537	5.537	5.537	-3.8	102
June	5.557	5.557	5.557	-3.8	3
July	5.582	5.620	5.620	-3.8	2
August	5.607	5.607	5.607	-3.8	41
September	5.597	5.597	5.597	-3.8	41
October	5.630	5.630	5.630	-3.3	40
November	5.870	5.870	5.870	-2.8	1
December	6.102	6.102	6.102	-2.8	0
Jan. 2007	6.249	6.249	6.249	-2.8	0
February	6.189	6.189	6.189	-3.8	0
March	6.014	6.014	6.014	-4.6	0
April	5.384	5.384	5.384	-6.1	0
May	5.254	5.254	5.254	-3.6	2
June	5.269	5.269	5.269	-3.6	1
July	5.299	5.299	5.299	-3.6	2
August	5.322	6.014	6.014	-3.6	0
September	5.292	5.292	5.292	-3.6	0

Volume of contracts (official\*)

98,950

Front-months open interest Friday :

Oct, 47,607 ; Nov, 61,692 ; Dec, 35,056

Total open interest Friday : n/a

### NYMEX Henry Hub options closings, Sep 20

Strike Price	Calls-Settle			Puts-Settle		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
5.60	6.8¢	41.9¢	42.2¢	27.2¢	88.8¢	17.5¢
5.65	5.8¢	45.9¢	39.6¢	29.6¢	85.4¢	19.1¢
5.70	5.0¢	50.1¢	37.2¢	32.2¢	82.1¢	20.8¢
5.75	4.2¢	54.3¢	34.8¢	34.8¢	78.8¢	22.5¢
5.80	3.6¢	58.7¢	32.7¢	37.7¢		24.4¢
5.85	3.0¢	63.1¢	30.6¢	40.6¢	72.7¢	26.3¢
5.90	2.5¢	67.6¢	28.7¢	43.7¢	69.8¢	28.4¢
5.95	2.1¢	72.2¢	26.9¢	46.9¢	66.9¢	30.5¢
6.00	1.8¢	76.9¢	25.2¢	50.2¢	64.1¢	32.7¢

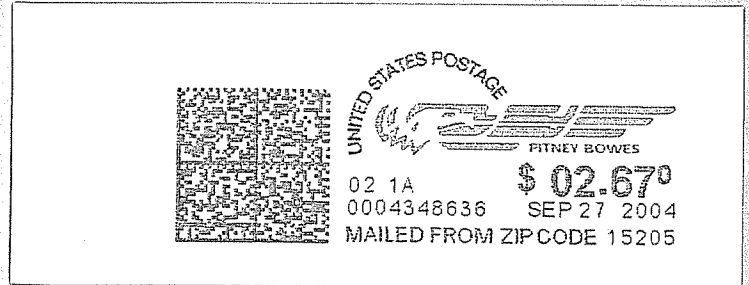
### Platts oil prices, Sep 20

	(\$/b)	(\$/MMBtu)
<b>Gulf Coast spot</b>		
1% Resid	29.25-29.50	4.67
3% Resid	26.05-26.25	4.16
<b>Crude spot</b>		
WTI (TYPE MONTH)	46.32-46.34	7.37
<b>New York spot</b>		
No.2	52.90-53.03	9.09
0.3% Resid HP	31.00-31.25	4.95
0.3% Resid LP	35.25-35.50	5.63
0.7% Resid	29.25-29.50	4.67
1% Resid HP	27.65-27.90	4.42

# JITABLE GAS

*Delivering Everyday Excellence* <sup>SM</sup>

200 ALLEGHENY CENTER MALL  
PITTSBURGH, PA 15212-5352



RECEIVED  
SEP 29 2004  
PUBLIC SERVICE  
COMMISSION

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