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December 17, 2004

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PUBLIC SERVICE
COMMISSION

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 February 1, 2005

2004-00512

Dear Ms. O'Donnell:

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended October 31, 2004, for rates proposed to become effective February 1, 2005. Also included are an original and five copies of One-Hundred-Eighth Revised Sheet No. 2 and One Hundredth 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 \$10.8433 per Mcf of sales, an increase of \$0.1598 per Mcf from the current PGA which was approved in Case No. 2004-00386 effective November 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 estimated cost of gas over 3 months beginning February 2005 and adding an additional \$0.27 Basis.

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 October 2004. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended October 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

All Mcf	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate*</u>	=	<u>Total Rate</u>	(I)
	\$2.1322		\$10.8433 per MCF		\$12.9755	

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. (D) Denotes Decrease.

ISSUED: December 17, 2004

D. L. Frutchey
Senior Vice President

EFFECTIVE: February 1, 2005

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)	9.6823	(D)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	0.7932	(I)
Balance Adjustment (BA)	<u>0.3678</u>	(I)
Total Gas Cost Recovery Rate per Mcf	10.8433	(I)

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

ISSUED: December 17, 2004

D. L. Frutchey
Senior Vice President

EFFECTIVE: February 1, 2005

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period February 1, 2005 through April 30, 2005

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf	9.6823
2	Supplier Refund (RA)	\$/Mcf	0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf	0.7932
4	Balance Adjustment (BA)	\$/Mcf	0.3678
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf	<u>10.8433</u>
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$	2,823,946 (a)
7	Total Annual Sales	Mcf	<u>291,660 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf	<u>9.6823</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	0.0000 (f)
13	Supplier Refund Adjustment (RA)	\$/Mcf	<u>0.0000</u>
 <u>Actual Cost Adjustment Summary</u>			
14	Current Quarter Adjustment	\$/Mcf	(0.0233) (g)
15	Previous Quarter Adjustment	\$/Mcf	0.0982 (d)
16	2nd Previous Quarter Adjustment	\$/Mcf	0.1802 (e)
17	3rd Previous Quarter Adjustment	\$/Mcf	0.5381 (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf	<u>0.7932</u>
 <u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf	0.0066 (h)
20	Previous Quarter Adjustment	\$/Mcf	0.3155 (d)
21	2nd Previous Quarter Adjustment	\$/Mcf	0.0487 (e)
22	3rd Previous Quarter Adjustment	\$/Mcf	(0.0030) (f)
23	Balance Adjustment (BA)	\$/Mcf	<u>0.3678</u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during August 2004 through October 2004.

(d) As approved in Case No. 2004-00386.

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

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

(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 2004 At Supplier
Costs Estimated to Become Effective February 1, 2005

	<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	November 2003	19,479	28,496	7.8596	223,967
2	December	39,137	53,660	7.8596	421,746
3	January 2004	62,519	79,883	7.8596	627,848
4	February	41,774	80,353	7.8596	631,542
5	March	62,197	30,048	7.8596	236,165
6	April	29,296	41,554	7.8596	326,598
7	May	9,845	11,051	7.8596	86,856
8	June	6,030	7,307	7.8596	57,430
9	July	4,565	5,845	7.8596	45,939
10	August	4,963	6,148	7.8596	48,321
11	September	4,550	6,293	7.8596	49,460
12	October	7,305	8,661	7.8596	68,072
13	Total	<u>291,660</u>	<u>359,299</u>	<u>-</u>	<u>2,823,946</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	November 2003	19,479
2	December	39,137
3	January 2004	62,519
4	February	41,774
5	March	62,197
6	April	29,296
7	May	9,845
8	June	6,030
9	July	4,565
10	August	4,963
11	September	4,550
12	October	7,305
13	Total	<u>291,660</u>

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
August 2004 through October 2004

<u>Description</u>	<u>Unit</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>Total</u>
	(1)	(2)	(3)	(4)	(5)
1 Supply Volume Per Invoice	Dth	6,148	6,293	8,661	21,102
2 Supply Cost Per Books	\$	51,655	42,503	65,673	159,831
3 Sales Volume	Mcf	4,963	4,550	7,305	16,819
4 EGC Rate in Effect (a)	\$/Mcf	9.9072	9.9072	9.9072	
5 EGC Revenue (Line 3 x Line 4)	\$	49,169	45,080	72,377	166,626
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	(2,486)	2,577	6,704	6,795
7 Total Current Quarter Actual Cost to be included in rates					6,795
8 Sales for the 12 Months Ended October 2004					291,660
Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					(0.0233)

(a) Approved in Case No. 2004-00255.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period November 2003 through October 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				(12,020)
<u>Actual</u>				
November 2003	19,479	0.0346	674	(11,346)
December	39,137	0.0346	1,354	(9,992)
January 2004	62,519	0.0346	2,163	(7,829)
February	41,774	0.0346	1,445	(6,383)
March	62,197	0.0346	2,152	(4,231)
April	29,296	0.0346	1,014	(3,218)
May	9,845	0.0346	341	(2,877)
June	6,030	0.0346	209	(2,668)
July	4,565	0.0346	158	(2,510)
August	4,963	0.0346	172	(2,339)
September	4,550	0.0346	157	(2,181)
October	7,305	0.0346	253	(1,929)
Total	<u>291,660</u>		<u>10,091</u>	
Estimated Annual Sales				291,660 Mcf
Balancing Adjustment (\$1,929 ÷ 291,660 Mcf)				\$0.0066 /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	12.8157	10.6835	10.8433	0.1598	12.9755

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.
(b) Rate approved by the Commission at Case No. 2004-00386.