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September 30, 2005

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

RECEIVED

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PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Case No. 2005-00407
GCR Filing Proposed to Become
Effective November 1, 2005

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 July 31, 2005, for rates proposed to become effective November 1, 2005. Also included are an original and five copies of One-Hundred-Eleventh Revised Sheet No. 2 and One-Hundred Third 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 \$14.8356 per Mcf of sales, an increase of \$2.5201 per Mcf from the current PGA, which was approved in Case No. 2005-00269 effective August 1, 2005.

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 November 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 July 2005. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended July 2005.

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

Yours truly,

Robert M. Narkevic
Manager, Rates

Enclosures

EQUITABLE GAS COMPANY
A DIVISION OF EQUITABLE RESOURCES, INC.
200 ALLEGHENY CENTER MALL
PITTSBURGH, PA 15212-5352

ONE HUNDRED ELEVENTH REVISED SHEET NO. 2
CANCELING
ONE HUNDRED TENTH REVISED SHEET NO. 2
P.S.C.K.Y. NO. 1

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		\$14.8356 per MCF		\$16.9678	(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 30, 2005

EFFECTIVE: November 1, 2005

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)	13.8921	(I)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	0.7929	(D)
Balance Adjustment (BA)	<u>0.1506</u>	(D)
Total Gas Cost Recovery Rate per Mcf	14.8356	(I)

(I) Denotes Increase. (D) Denotes Decrease

ISSUED: September 30, 2005

EFFECTIVE: November 1, 2005

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, 2005 through January 31, 2006

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf 13.8921	
2	Supplier Refund (RA)	\$/Mcf 0.0000	
3	Actual Cost Adjustment (ACA)	\$/Mcf 0.7929	
4	Balance Adjustment (BA)	\$/Mcf <u>0.1506</u>	
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf <u><u>14.8356</u></u>	
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$ 3,557,048	(a)
7	Total Annual Sales	Mcf <u>256,048</u>	(b)
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf <u><u>13.8921</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</u>	(f)
13	Supplier Refund Adjustment (RA)	\$/Mcf <u><u>0.0000</u></u>	
 <u>Actual Cost Adjustment Summary</u>			
14	Current Quarter Adjustment	\$/Mcf (0.2423)	(g)
15	Previous Quarter Adjustment	\$/Mcf 0.4299	(d)
16	2nd Previous Quarter Adjustment	\$/Mcf 0.6315	(e)
17	3rd Previous Quarter Adjustment	\$/Mcf (0.0262)	(f)
18	Actual Cost Adjustment (ACA)	\$/Mcf <u><u>0.7929</u></u>	
 <u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf 0.0335	(h)
20	Previous Quarter Adjustment	\$/Mcf 0.1730	(d)
21	2nd Previous Quarter Adjustment	\$/Mcf (0.0625)	(e)
22	3rd Previous Quarter Adjustment	\$/Mcf 0.0066	(f)
23	Balance Adjustment (BA)	\$/Mcf <u><u>0.1506</u></u>	

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during May 2005 through July 2005.

(d) As approved in Case No. 2005-00269.

(e) As approved in Case No. 2005-00127.

(f) As approved in Case No. 2004-00512.

(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 2005 At Supplier
Costs Estimated to Become Effective November 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 August 2004	4,963	6,148	11.2967	69,452
2 September	4,550	6,293	11.2967	71,090
3 October	7,305	8,661	11.2967	97,841
4 November	8,280	10,956	11.2967	123,767
5 December	40,732	52,191	11.2967	589,586
6 January 2005	47,781	61,039	11.2967	689,539
7 February	51,572	61,229	11.2967	691,686
8 March	39,706	46,379	11.2967	523,930
9 April	23,667	27,730	11.2967	313,257
10 May	14,213	17,834	11.2967	201,465
11 June	7,920	9,686	11.2967	109,420
12 July	5,358	6,729	11.2967	76,015
13 Total	<u>256,048</u>	<u>314,875</u>	<u>-</u>	<u>3,557,048</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 2004	4,963
2	September	4,550
3	October	7,305
4	November	8,280
5	December	40,732
6	January 2005	47,781
7	February	51,572
8	March	39,706
9	April	23,667
10	May	14,213
11	June	7,920
12	July	5,358
13	Total	<u>256,048</u>

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
May 2005 through July 2005

<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	17,834	9,686	6,729	34,249
2 Supply Cost Per Books	\$	105,661	53,258	56,847	215,765
3 Sales Volume	Mcf	14,213	7,920	5,358	27,491
4 EGC Rate in Effect (a)	\$/Mcf	10.1055	10.1055	10.1055	
5 EGC Revenue (Line 3 x Line 4)	\$	143,629	80,036	54,145	277,810
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	37,968	26,778	(2,702)	62,045
7 Total Current Quarter Actual Cost to be included in rates					62,045
8 Sales for the 12 Months Ended July 2005					256,048
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					(0.2423)

(a) Approved in Case No. 2005-00127.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period August 2004 through July 2005

	<u>Sales</u>	<u>ACA Rate</u>	<u>ACA Recovery</u>	<u>Over/(Under) Collection Balance</u>
	(1)	(2)	(3)	(4)
	Mcf	\$/Mcf	\$ (1) x (2)	\$
Balance Approved by the Commission in Case No. 2004-00255				(54,717)
<u>Actual</u>				
August 2004	4,963	0.1802	894	(53,822)
September	4,550	0.1802	820	(53,003)
October	7,305	0.1802	1,316	(51,686)
November	8,280	0.1802	1,492	(50,194)
December	40,732	0.1802	7,340	(42,854)
January 2005	47,781	0.1802	8,610	(34,244)
February	51,572	0.1802	9,293	(24,951)
March	39,706	0.1802	7,155	(17,796)
April	23,667	0.1802	4,265	(13,531)
May	14,213	0.1802	2,561	(10,970)
June	7,920	0.1802	1,427	(9,543)
July	5,358	0.1802	966	(8,577)
Total	<u>256,048</u>		<u>46,140</u>	

Estimated Annual Sales 256,048 Mcf

Balancing Adjustment \$0.0335 /Mcf
(\$8,577 ÷ 256,048 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	14.4477	12.3155	14.8356	2.5201	16.9678

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

(b) Rate approved by the Commission at Case No. 2005-00127.