

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF)
EAST KENTUCKY UTILITIES, INC.) CASE NO. 2005-00537

ORDER

On March 11, 2005, in Case No. 2005-00032,¹ the Commission approved rates for East Kentucky Utilities, Inc. ("East Kentucky") and provided for their further adjustment on an as needed basis in accordance with East Kentucky's gas cost adjustment ("GCA") clause. On August 15, 2005, Kentucky Frontier Gas, LLC assumed operation of the system.

On December 16, 2005, East Kentucky filed its proposed GCA to be effective January 1, 2006. On December 22, 2005, the Commission suspended East Kentucky's filing. On January 25, 2006, East Kentucky filed additional information in response to the Staff's information request.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. East Kentucky's wholesale natural gas contract with Equitable Energy LLC ("Equitable") provides for a decrease in the cost of gas purchased from Equitable from \$15.80 per Dth to \$13.00 per Dth, effective January 1, 2006.

2. East Kentucky's notice includes revised rates designed to pass on to its customers its expected decrease in wholesale gas costs. Based on the high Btu content of the gas supplied by Equitable, East Kentucky's proposed expected gas cost

¹ Case No. 2005-00032, Application of East Kentucky Utilities, Inc. for Approval of the Proposed Increase in Rates.

("EGC") is \$16.9564 per Mcf, which is a decrease of \$3.5649 per Mcf below its current gas cost.

3. The rates in the Appendix to this Order are fair, just and reasonable, and should be approved for billing with the final meter readings beginning on or after the date of this Order.

IT IS THEREFORE ORDERED that:

1. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing with final meter readings by East Kentucky beginning on or after the date of this Order.

2. Within 20 days of the date of this Order, East Kentucky shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 31st day of January, 2006.

By the Commission

ATTEST

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2005-00537 DATED January 31, 2006.

The following rates and charges are prescribed for the customers in the area served by East Kentucky Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

<u>RATES: Monthly</u>	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
First Mcf	\$10.00	\$16.9564	\$26.9564
All Over 1 Mcf	\$ 5.2553	\$16.9564	\$22.2117
Minimum Bill	\$26.9564		

A surcharge in the amount of \$.8048 per Mcf will be added to the above rates until the obligation owed to Kentucky West Virginia Gas Company has been discharged or is recalculated.

The base rate for the future application of the purchased gas adjustment clause of East Kentucky Utilities, Inc. shall be:

Commodity

Equitable Energy LLC	\$13.00 per Dth
Southeastern Gas Company	\$ 3.50 per Mcf