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September 22, 2006

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

RECEIVED

SEP 25 2006

PUBLIC SERVICE  
COMMISSION

RE: Equitable Gas Company  
Case No. 2006-00421  
GCR Filing Proposed to Become  
Effective November 1, 2006

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, 2006, for rates proposed to become effective November 1, 2006. Also included are an original and five copies of One Hundred Sixteenth Revised Sheet No. 2 and One Hundred Eighth 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 \$11.3512 per Mcf of sales, an increase of \$1.5149 per Mcf from the current PGA, which was approved in Case No. 2006-00319 effective August 1, 2006.

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 2006 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 2006. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended July 2006.

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.  
225 NORTH SHORE DRIVE  
PITTSBURGH, PA 15212-5861

ONE HUNDRED SIXTEENTH REVISED SHEET NO. 2  
CANCELING  
ONE HUNDRED FIFTEENTH REVISED SHEET NO. 2  
P.S.C.K.Y. NO. 1

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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		\$11.3512 per MCF		\$13.4834	(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) Indicates Increase.

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ISSUED: September 22, 2006

D. L. Frutchey  
Senior Vice President

EFFECTIVE: November 1, 2006

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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)	11.3864	(I)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	(0.2024)	(I)
Balance Adjustment (BA)	0.1672	(I)
Total Gas Cost Recovery Rate per Mcf	11.3512	(I)

(I) Indicates Increase.

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ISSUED: September 22, 2006

EFFECTIVE: November 1, 2006

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, 2006 through January 31, 2007

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf	11.3864
2	Supplier Refund (RA)	\$/Mcf	0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf	(0.2024)
4	Balance Adjustment (BA)	\$/Mcf	<u>0.1672</u>
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf	<u><u>11.3512</u></u>
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$	2,532,049 (a)
7	Total Annual Sales	Mcf	<u>222,376 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf	<u><u>11.3864</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	0.0826 (g)
15	Previous Quarter Adjustment	\$/Mcf	(0.0675) (d)
16	2nd Previous Quarter Adjustment	\$/Mcf	(0.6309) (e)
17	3rd Previous Quarter Adjustment	\$/Mcf	0.4134 (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf	<u><u>(0.2024)</u></u>
 <u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf	0.0514 (h)
20	Previous Quarter Adjustment	\$/Mcf	0.1036 (d)
21	2nd Previous Quarter Adjustment	\$/Mcf	(0.0044) (e)
22	3rd Previous Quarter Adjustment	\$/Mcf	0.0166 (f)
23	Balance Adjustment (BA)	\$/Mcf	<u><u>0.1672</u></u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during May 2006 through July 2006.

(d) As approved in Case No. 2006-00319.

(e) As approved in Case No. 2006-00127.

(f) As approved in Case No. 2006-00004.

(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 2006 At Supplier  
Costs Estimated to Become Effective November 1, 2006

	<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 2005	4,425	5,567	8.9839	50,013
2 September	4,099	5,150	8.9839	46,267
3 October	4,813	6,022	8.9839	54,101
4 November	15,849	19,876	8.9839	178,564
5 December	37,166	46,742	8.9839	419,925
6 January 2006	40,771	51,050	8.9839	458,628
7 February	37,470	47,563	8.9839	427,301
8 March	36,263	46,212	8.9839	415,164
9 April	21,288	27,595	8.9839	247,911
10 May	9,159	11,783	8.9839	105,857
11 June	6,945	8,918	8.9839	80,118
12 July	4,128	5,365	8.9839	48,199
13 Total	<u>222,376</u>	<u>281,843</u>	<u>-</u>	<u>2,532,049</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>Month</u>	<u>Sales</u>
<u>No.</u>		(1) Mcf
1	August 2005	4,425
2	September	4,099
3	October	4,813
4	November	15,849
5	December	37,166
6	January 2006	40,771
7	February	37,470
8	March	36,263
9	April	21,288
10	May	9,159
11	June	6,945
12	July	4,128
13	Total	<u>222,376</u>

Equitable Gas Company  
Kentucky Division

Calculation of Actual Cost Adjustment for the Period  
May 2006 through July 2006

<u>Description</u>	<u>Unit</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Total</u>
	(1)	(2)	(3)	(4)	(5)
1 Supply Volume Per Invoice	Dth	11,783	8,918	5,365	26,066
2 Supply Cost Per Books	\$	120,268	67,502	51,694	239,463
3 Sales Volume	Mcf	9,159	6,945	4,128	20,232
4 EGC Rate in Effect (a)	\$/Mcf	10.928	10.928	10.928	
5 EGC Revenue (Line 3 x Line 4)	\$	100,085	75,893	45,114	221,092
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	(20,183)	8,391	(6,580)	(18,371)
7 Total Current Quarter Actual Cost to be included in rates					(18,371)
8 Sales for the 12 Months Ended July 2006					222,376
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					0.0826

(a) Approved in Case No. 2006-00127.

Equitable Gas Company  
Kentucky Division

Calculation of Balancing Adjustment for  
Over/(Under) Recoveries of Gas Cost Incurred  
During the Period August 2005 through July 2006

	<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. 2005-00269				(107,040)
<u>Actual</u>				
August 2005	4,425	0.4299	1,902	(105,137)
September	4,099	0.4299	1,762	(103,375)
October	4,813	0.4299	2,069	(101,306)
November	15,849	0.4299	6,814	(94,492)
December	37,166	0.4299	15,977	(78,515)
January 2006	40,771	0.4299	17,527	(60,987)
February	37,470	0.4299	16,108	(44,879)
March	36,263	0.4299	15,589	(29,290)
April	21,288	0.4299	9,152	(20,138)
May	9,159	0.4299	3,937	(16,201)
June	6,945	0.4299	2,986	(13,215)
July	4,128	0.4299	1,775	(11,440)
Total	<u>222,376</u>		<u>95,599</u>	
Estimated Annual Sales				222,376 Mcf
Balancing Adjustment (\$11,440 ÷ 222,376 Mcf)				\$0.0514 /Mcf



Equitable Gas Company  
Kentucky Division

Summary of Proposed Tariff Rates

	<u>Current Tariff Rate</u> (1) \$/Mcf (a)	<u>Current GCR Rate</u> (2) \$/Mcf (b)	<u>Proposed GCR Rate</u> (3) \$/Mcf	<u>Difference</u> (4) \$/Mcf (3) - (2)	<u>Proposed Tariff Rate</u> (5) \$/Mcf (1) + (4)
All MCF	11.9685	9.8363	11.3512	1.5149	13.4834

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

(b) Rate approved by the Commission at Case No. 2006-00319.