

G.S. KNOX GAS COMPANY
P.O. BOX 335
GRAY, KY 40734
(606) 528-2779

RECEIVED
OCT 31 2006
PUBLIC SERVICE
COMMISSION

October 24, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, KY 40602-0615

RE: Rate Increase Request

Case No. 2006-00460

Dear Ms. O'Donnell:

Due to the increase in the cost of natural gas, our company must increase our farm tap gas rates. We currently have 29 customers throughout Knox County that consume an average of 5.02 Mcf per month per customer (60.24 Mcf/customer/year).

The calculated gas price is \$13.13 per Mcf. We have listed the different components of the rate below. Please note that there is no profit built into this rate.

Gas Price Calculation:

| | |
|---|--------------------|
| 12 month NYMEX Strip (as of 10/24/06): | \$7.80/Dth |
| Appalachian Differential (2 Yr Average): | <u>\$0.34/Dth</u> |
| | \$8.14/Dth |
| BTU Conversion based on Btu/cf: | <u>x 1.230</u> |
| | \$10.01/Mcf |
| Well Operator: (see schedule 1): | \$2.24/Mcf |
| Administrative Personnel (see schedule 2): | \$0.14/Mcf |
| Mileage (see schedule 3): | \$0.61/Mcf |
| Postage & Office Supplies (see schedule 4): | <u>\$0.13/Mcf</u> |
| | \$3.12/Mcf |
| TOTAL: | \$13.13/Mcf |

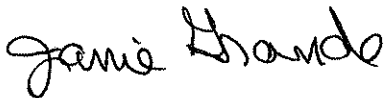
G.S. Knox Gas Company would like to amend the rates and charges section of the original tariff filed to read as follows:

Monthly Rates:

| | |
|-----------------------|---------|
| Minimum Bill (1 Mcf): | \$13.13 |
| All Additional Mcf: | \$13.13 |

The notice to customers required by 807 KAR 5.026.9(d) was mailed on this same day. If you have any questions, or need any further information, please do not hesitate to contact me. Thank you in advance for your time.

Sincerely,



Janie Grande,
President

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SCHEDULE 1—Well Operator Cost

Gross Hourly Rate: \$ 15.00

CALCULATION:

| | |
|-------------------------------------|-------------------------------------|
| Meter Reading- 15 min per customer: | 3.00 hours per year/customer |
| Call-outs, Maintenance, etc: | 3.00 hours per year/customer |
| Overtime (2 hours @ 150%): | <u>3.00</u> hours per year/customer |

Total hours including overtime: 9.00 hours per year/customer

LABOR COST PER MCF:

| | |
|-----------------------------|-----------|
| 9.00 hrs. X \$15.00 per hr. | \$ 135.00 |
| Usage (12 mth average): | 60.24 |

Per Mcf: \$ 2.24

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SCHEDULE 2—Administrative Personnel Cost

Gross Hourly Rate: \$ 13.00

CALCULATION:

| | | |
|-------------------------------------|-------------|-----------------|
| Preparing and reviewing invoices: | 8.00 | hours per month |
| Processing cash receipts: | 8.00 | hours per month |
| Collections and customer questions: | <u>3.00</u> | hours per month |

Total hours: 19.00 hours per month

PERSONNEL COST PER MCF:

19.00 hrs X \$13.00 per hr: \$ 247.00

Average monthly per customer: \$ 8.52

Usage (12 mth average): 60.24

Per Mcf: \$ 0.14

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SCHEDULE 3—Mileage

CALCULATION:

Meter reading, call-outs, and misc. 200.00 miles per month

200 Miles X \$0.445 per mile (IRS allowable): \$ 89.00 per month

Total average monthly usage: 145.58 Mcf

Per Mcf: \$ 0.61

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SCHEDULE 4—Postage & Office Supplies

CALCULATION:

| | |
|-------------------------------------|---------------------------|
| \$0.39 per customer postage: | \$ 11.31 per month |
| \$0.25 per customer other supplies: | <u>\$ 7.25 per month</u> |
| Total : | \$ 18.56 per month |
| Total Mcf Usage: | 145.53 per month |
| Per Mcf: | \$ 0.13 |

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October 27, 2006

NOTICE OF PROPOSED RATE CHANGE
Farm Tap Customers of G.S. Knox Gas Company

G.S. Knox Gas Company has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by G.S. Knox Gas Company. The Public Service Commission may order rates to be charged that differ from the rates in this notice.

Any corporation, association, body politic, or person may file written comments or a written request for intervention within thirty (30) days of the date of this notice with the Public Service Commission, P.O. Box 615, Frankfort, KY 40602.

Copies of the request for an increase in rates may be obtained by contacting G.S. Knox at the address listed above.

| | |
|----------------|-------------|
| Present Rate: | \$6.00 Mcf |
| Proposed Rate: | \$13.13 Mcf |

GS KMX GAS COMPANY
P O BOX 335
GRAND, KY 40734

MS. BETH O'DONWELL, EXEC. DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
P O BOX 615
FRANKFORT, KY 40602-0615

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LOCAL 471
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