



Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

Randall A. Hayes  
Peoples Gas, Inc.  
P. O. Box 245  
Stanville, KY 41659-0245

Commonwealth of Kentucky  
**Public Service Commission**  
211 Sower Blvd.  
P.O. Box 615  
Frankfort, Kentucky 40602-0615  
Telephone: (502) 564-3940  
Fax: (502) 564-3460  
psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Commissioner

July 26, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00304  
Peoples Gas, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on July 26, 2007.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/tw  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS )  
ADJUSTMENT FILING OF PEOPLE'S ) CASE NO. 2007-00304  
GAS, INC. )

ORDER

On April 30, 2001, in Case No. 2001-00027, the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's gas cost adjustment ("GCA") clause, which People's adopted and ratified.<sup>1</sup>

On July 12, 2007, People's filed its GCA to be effective August 1, 2007. Although People's did not provide 30 days' notice as required under KRS 278.180, the Commission can prescribe a lesser effective date for a reduction in rates. Since People's revised rate is a reduction, People's has provided adequate notice for rates to be effective August 1, 2007.

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

1. People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

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<sup>1</sup> Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas, Inc. for the Transfer of Gas Transmission Facilities and Joint Motion for Relief from Compliance Schedule, Order dated April 30, 2001.

2. People's notice sets out an expected gas cost ("EGC") of \$6.9760 per Mcf. People's used an incorrect rate from its supplier, Columbia Gas of Kentucky, Inc. Updating People's filing to reflect the current Intrastate Utility Rate, which was effective May 31, 2007,<sup>2</sup> results in an EGC of \$7.8548, which is a decrease of \$1.3442 per Mcf from its prior EGC of \$9.1990.

3. People's notice sets out no current quarter refund adjustment.

4. People's notice sets out a current quarter actual adjustment ("AA") of 52 cents per Mcf. People's used an incorrect EGC in its calculations. Correcting for this produces a current quarter AA of (30.4) cents per Mcf. People's total AA is (\$1.7901) per Mcf, which is a decrease of \$1.0542 per Mcf from its previous total AA.

5. People's notice proposes no current quarter balance adjustment ("BA"). People's total BA is (17.87) cents per Mcf, which is no change from its previous total BA.

6. People's GCA is \$5.8860 per Mcf, which is a decrease of \$2.3984 per Mcf from its previous rate of \$8.2844.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after August 1, 2007.

IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.

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<sup>2</sup> Case No. 2007-00173, Notice of Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc., Order dated May 24, 2007.

2. The rates in the Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after August 1, 2007.

3. Within 20 days of the date of this Order, People's shall file with the Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26 day of July, 2007.

By the Commission

ATTEST



Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2007-00304 DATED July 26, 2007.

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

#### Monthly:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$5.8860	\$10.2831
Over 1 Mcf	\$2.7670	\$5.8860	\$ 8.6530