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COMMISSION

September 26, 2007

Ms. Beth O'Donnell  
Executive Director, Public Service Commission  
PO Box 615 / 211 Sower Blvd.  
Frankfort, KY 42602

2007-427

RE: Case # Gas Cost Adjustment Report

Dear Ms. O'Donnell:

The following document is Millennium Energy's Gas Cost Adjustment Report for quarter, November 1, 2007 through January 31, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", with a stylized flourish at the end.

Gary K. Dillard  
Executive Vice President

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SEP 28 2007  
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QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

Date Filed: October 1, 2007

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Date Rates to be Effective: November 1, 2007 Untill January 31, 2008

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Reporting Period is Calendar Quarter Ended:

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**SCHEDULE I**  
**GAS COST RECOVERY RATE SUMMARY**

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 7.7878
+ Refund Adjustment (RA)	\$/Mcf	-
+ Actual Adjustment (AA)	\$/Mcf	(1.4097)
+ Balance Adjustment (BA)	\$/Mcf	<u>(0.0187)</u>
= Gas Cost Recovery Rate (GCR)	\$/Mcf	\$ 6.3595

GCR to be effective for service rendered from 11/1/07 to 01/31/08.

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Schedule II)	\$	793,253.40
+ Sales for the 12 months ended 7/31/2007	Mcf	<u>101,858.00</u>
- Expected Gas Cost (EGC)	\$/Mcf	7.7878
 <u>B. REFUND ADJUSTMENT CALCULATION</u>	 <u>Unit</u>	 <u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	\$ -
+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	<u>\$ -</u>
= Refund Adjustment (RA)	\$/Mcf	\$ -
 <u>C. ACTUAL ADJUSTMENT CALCULATION</u>	 <u>Unit</u>	 <u>Amount</u>
Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	\$ 0.3683
+ Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.9879)
+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.7344)
+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	<u>\$ (0.0557)</u>
=Actual Adjustment (AA)	\$/Mcf	\$ (1.4097)
 <u>D. BALANCE ADJUSTMENT CALCULATION</u>	 <u>Unit</u>	 <u>Amount</u>
Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	\$ (0.0016)
+ Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.0023)
+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0076
+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	<u>\$ (0.0224)</u>
=Balance Adjustment (BA)	\$/Mcf	\$ (0.0187)

**SCHEDULE II  
EXPECTED GAS COST**

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Actual\* Mcf Purchase for 12 months ended

07/31/07

(1)	(2)	(3)	(4)	(5)	(6)
<u>Supplier</u>	<u>Dth</u>	<u>Heat Rate</u>	<u>Mcf</u>	<u>Rate</u>	<u>(4) x (5) Cost</u>
Aug-06 Atmos Energy Marketing	6,443.00	1.034	6,231.14	7.653	47,685.05
Sep-06 Atmos Energy Marketing	7,015.00	1.034	6,784.33	7.653	51,918.44
Oct-06 Atmos Energy Marketing	8,672.00	1.034	8,386.85	7.653	64,182.05
Nov-06 Atmos Energy Marketing	9,834.00	1.034	9,510.64	7.653	72,782.07
Dec-06 Atmos Energy Marketing	10,031.00	1.034	9,701.16	7.653	74,240.07
Jan-07 Atmos Energy Marketing	11,944.00	1.034	11,551.26	7.653	88,398.33
Feb-07 Atmos Energy Marketing	11,930.00	1.034	11,537.72	7.653	88,294.71
Mar-07 Atmos Energy Marketing	9,722.00	1.034	9,402.32	7.653	71,953.13
Apr-07 Atmos Energy Marketing	9,319.00	1.034	9,012.57	7.653	68,970.49
May-07 Atmos Energy Marketing	8,012.00	1.034	7,748.55	7.653	59,297.33
Jun-07 Atmos Energy Marketing	7,188.00	1.034	6,951.64	7.653	53,198.82
Jul-07 Atmos Energy Marketing	<u>7,071.00</u>	<u>1.034</u>	<u>6,838.49</u>	<u>7.653</u>	<u>52,332.91</u>
<b>Totals</b>	<b>107,181.00</b>	<b>1.034</b>	<b>103,656.67</b>	<b>7.653</b>	<b>793,253.40</b>

Line losses are 1.74% for 12 months ended 7/31/2007 based on purchases of  
 103,656.67 Mcf and sales of 101,858 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6) (to Schedule IA.)	\$	\$ 793,253.40
Expected Mcf Purchases (4)	Mcf	<u>103,656.67</u>
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 7.653
Plus: Expected Losses of (not to exceed 5%)	Mcf	<u>793,253.40</u>
= Total Expected Gas Cost	(D26/0.95) if line loss > 5% (J32*J33 if line loss) \$	\$ <u>793,253.40</u>

Allowable Sales (maximum losses of 5%).

\$793,253.40

\*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

\*\*Supplier's tariff sheets or notices are attached.

SCHEDULE III  
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended 7/31/2007

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$ -
+ Interest	\$	\$ -
<hr/>		
= Refund Adjustment including interest	\$	\$ -
+ Sales for 12 months ended ___ 7/31/2007	Mcf	101,858
<hr/>		
=Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	\$ -

SCHEDULE IV  
ACTUAL ADJUSTMENT

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For the 3 month period ended       7/31/2007      

<u>Particulars</u>	<u>Unit</u>	Month 1 <u>May-07</u>	Month 2 <u>Jun-07</u>	Month 3 <u>Jul-07</u>
Total Supply Volumes Purchased	Mcf	7,748.55	6,951.64	6,838.49
Total Cost of Volumes Purchased	\$	\$ 65,219.44	\$ 59,553.64	\$ 58,426.95
Total Sales (may not be less than 95% of supply volumes) (G8*0.95)	Mcf	<u>\$ 7,361.12</u>	<u>\$ 6,618.50</u>	<u>\$ 6,496.57</u>
<u>= Unit Cost of Gas</u>	\$/Mcf	\$ 8.8600	\$ 8.9981	\$ 8.9935
<u>- EGC in effect for month</u>	\$/Mcf	<u>\$ 7.0451</u>	<u>\$ 7.0451</u>	<u>\$ 7.0451</u>
<u>= Difference</u> [ (Over-)/Under-Recovery]	\$/Mcf	\$ 1.8149	\$ 1.9530	\$ 1.9484
<u>x Actual sales during month</u>	Mcf	<u>6,691.80</u>	<u>6,618.50</u>	<u>6,387.70</u>
<u>= Monthly cost difference</u>	\$	12,144.95	12,925.93	12,445.79
		<u>Unit</u>	<u>Amount</u>	
Total cost difference (Month 1 + Month 2 + Month 3)	\$	\$ 37,516.67		
+ Sales for 12 months ended <u>      7/31/2007      </u>	Mcf	<u>101,858</u>		
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	\$ 0.3683		

SCHEDULE V  
BALANCE ADJUSTMENT

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For the 3 month period ended

7/31/2007

Line	Particulars	Unit	Amount
1	(1) Total cost difference from actual adjustment used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>1,346.86</u> Case No. 2006-00338
2	Less: Dollars amount resulting from the AA of <u>0.1562</u> \$/MCF as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of <u>9,658</u> MCF during the 12 month period the AA was in effect.	\$	<u>1,508.58</u>
3			
4	Equals: Balance Adjustment for the AA.	\$	<u>(161.72)</u>
5	(3) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
6	Less: Dollar amount resulting from the RA of <u>-</u> \$/MCF as used to compute the OCR in effect four quarters prior to the effective GCR times the sales of <u>101,858</u> MCF during the 12 month period the RA was in effect.	\$	<u>-</u>
7			
8	Equals: Balance Adjustment for the RA.	\$	<u>-</u>
9	(3) Total Balance Adjustment used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
10	Less: Dollar amount resulting from the BA of <u>-</u> \$/MCF four quarters prior to the effective date of the currently effective GCR times the sales of <u>101,858</u> MCF during the 12 month period the BA was in effect.	\$	<u>-</u>
11			
12	Equals: Balance Adjustment for the BA.	\$	<u>-</u>
13	Total Balance Adjustment Amount (1) + (2) + (3)	\$	<u>-161.72</u>
14	Divided By: Sales for 12 months ended <u>7/31/2007</u>	\$	<u>101,858</u>
15	Equals: Balance Adjustment for the Reporting Period (to Schedule ID).	\$/MCF	<u>(0.0016)</u>