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December 12, 2007

CERTIFICATE OF SERVICE

RE: Case No. 2007-00482  
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 December 12, 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. 2007-00482  
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 subsequently adopted and ratified.<sup>1</sup>

On November 14, 2007, People's filed its revised Gas Cost Recovery ("GCR") rate to be effective December 1, 2007. People's did not provide sufficient notice for the proposed increase in its GCR rate to take effect on December 1, 2007. The earliest possible effective date is December 14, 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 \$11.3513 per Mcf, based on Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service ("IUS") rate. Columbia's IUS rate is updated quarterly when it revises its GCA. Although Columbia's most current GCA and IUS rates were approved after People's submitted its pending application, People's GCA should reflect as accurately as possible the natural gas purchase costs that it will incur during the next quarter. When recalculated to reflect Columbia's current IUS rate, People's EGC is \$11.1464, which is an increase of \$3.2916 from its prior EGC of \$7.8548. The revised calculations are set forth in Appendix B.

3. People's notice sets out no current quarter Refund Adjustment.

4. People's notice sets out a current quarter Actual Adjustment ("AA") of \$.32 per Mcf. People's incorrectly calculated its unit cost of gas for June and July 2007. Correcting for this error produces a current quarter AA of (\$.4551) per Mcf. People's total AA is (\$.3129) per Mcf, which is an increase of \$1.4772 per Mcf from its previous total AA. The revised calculations are set forth in Appendix B.

5. People's notice proposes no current quarter Balance Adjustment ("BA"). People's total BA is (\$.1787) per Mcf, which is no change from its previous total BA.

6. People's GCR is \$10.6548 per Mcf, which is an increase of \$4.7688 per Mcf from its previous rate of \$5.8860.

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 December

14, 2007. People's did not provide sufficient notice for rates to be effective on December 1, 2007.

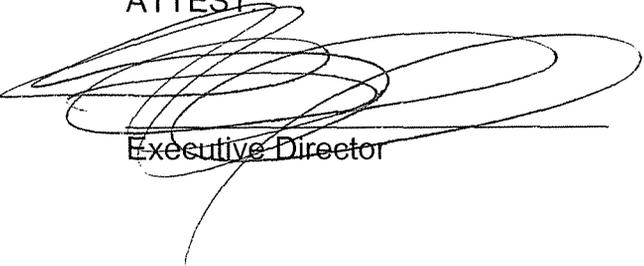
IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.
2. The rates in the Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after December 14, 2007.
3. Within 20 days of the date of this Order, People's shall file with the Commission revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 12<sup>th</sup> day of December, 2007.

By the Commission

ATTEST:



Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00482 DATED December 12, 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>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$10.6548	\$15.0519
Over 1 Mcf	\$2.7670	\$10.6548	\$13.4218

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2007-00482 DATED December 12, 2007

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGA)	\$/Mcf	\$11.1464
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	(\$0.3129)
Balance Adjustment (BA)	\$/Mcf	(\$0.1787)
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$10.6548

to be effective for service rendered from December 1, 2007 to March 1, 2008.

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<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$110,097.66
/Sales for the 12 months ended July 31, 2007	\$/Mcf	9,877.40
Expected Gas Cost	\$/Mcf	\$11.1464

<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
=Refund Adjustment (RA)	\$ Mcf	\$0.0000

<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$0.4551)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.3040)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.4462
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0000
=Actual Adjustment (AA)	\$ Mcf	(\$0.3129)

<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	(\$0.1787)
=Balance Adjustment (BA)	\$ Mcf	(\$0.1787)

SCHEDULE II  
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended July 31, 2007

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Columbia Gas of Kentucky IUS Rate			11,066.00	\$10.5891	\$117,178.98

Totals			11,066		\$117,178.98
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Line loss for 12 months ended 7/31/07 is based on purchases of 11,066.00  
and sales of 9,877.40 Mcf. 10.74%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$117,178.98
/ Mcf Purchases (4)		11,066
= Average Expected Cost Per Mcf Purchased		\$10.5891
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		10,397.26
= Total Expected Gas Cost (to Schedule IA)		\$110,097.66

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended Jan. 2007.

<u>Particulars</u>	<u>Unit</u>	<u>May '07</u> <u>Month 1</u>	<u>June '07</u> <u>Month 2</u>	<u>July '07</u> <u>Month 3</u>
Total Supply Volumes Purchased	Mcf	670	320	255
Total Cost of Volumes Purchased	\$	\$4,217.53	\$1,906.55	\$1,906.55
/ Total Sales *	Mcf	636.5	477.1	274.9
= Unit Cost of Gas	\$/Mcf	\$6.6261	\$3.9961	\$6.9354
- EGC in Effect for Month	\$/Mcf	\$9.1990	\$9.1990	\$9.1990
= Difference	\$/Mcf	(\$2.5729)	(\$5.2029)	(\$2.2636)
x Actual Sales during Month	Mcf	540.6	477.1	274.9
= Monthly Cost Difference	\$	(\$1,390.90)	(\$2,482.29)	(\$622.26)
Total Cost Difference			\$	(\$4,495.44)
/ Sales for 12 months ended April 30, 2006			Mcf	9,877.4
= Actual Adjustment for the Reporting Period (to Sch IC)				(\$0.4551)

\* May not be less than 95% of supply volume