

February 24, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re:

Gas Cost Adjustment

Kentucky Frontier Gas, LLC dba East Kentucky Utilities, Inc.

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC dba, East Kentucky Utilities, Inc. (EKU) we are filing for Gas Cost Adjustment for the period commencing April 1, 2010.

Enclosed is a Rates and Charges form and related calculations on which we base our request for rate changes. The cost of gas from EKU's supplier is the Inside FERC Columbia Appalachia First of Month rate times 80%. They also apply a gathering charge of \$0.7251/Dth plus 11% fuel. Copies of invoices from Quality Natural Gas LLC for October, November and December 2009 are enclosed.

If you have any questions, please call me at 303-422-3400.

Sincerely,

KENTUCKY FRONTIER GAS, LLC dba EAST KENTUCKY UTILITIES, INC.

Nennes L. / Dines

Dennis R. Horner

Kentucky Frontier Gas, LLC

Enclosures

RECEIVED

FEB 2 5 2010

PUBLIC SERVICE

COMMISSION

FOR ENTIRE AREA SERVED Community, Town or City

| | P.S.C | C. KY. NO10 | 3 | |
|--------------------------------------------|----------------------------------|---------------------------------------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | SHEET N | NO1_ | |
| East Kentucky Utilities, Inc (Name of U | | CELING P.S. KY.NO. | 102 | |
| | | SHEET N | NO | |
| | RATES AND (| CHARGES | | |
| APPLICABLE: | Entire area s | served | | |
| AVAILABILITY OF SERVIO | DE: Domestic an | d commercial use in a | pplicable areas | |
| A. <u>MONTH</u> | LY RATES: | | | |
| FIRST (1) N OVER 1 MC | MCF (MINIMUM BILL) CF | <u>Base Rate</u> \$ 10.0000 \$ 5.2553 | <u>GCRR</u> 4.3408 4.3408 | <u>Total</u> 14.3408 9.5961 |
| | | | | |
| | | | | |
| B. DEPOS | TS \$100.00 | | | |
| DATE OF ISSUE | February 23, 20 | 010 | | WATER-CONTROL OF THE PROPERTY |
| DATE EFFECTIVE | Month/Date/Year April 1, 2010 | | | |
| ISSUED BY | (Signature of Officer) | | | PITT-AND-AND-AND-AND-AND-AND-AND-AND-AND-AND |
| TITLE | Member | | | *************************************** |
| BY AUTHORITY OF ORDI | ER OF THE PUBLIC SERVI | ICE COMMINSSION TED | | |

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost Recovery Rate Calculation

| Date filed: | February 23, 2009 |
|-----------------------------|-------------------|
| | |
| Date Rates to be Effective: | April 1, 2010 |
| | |
| Reporting Period Ending: | December 31, 2009 |

East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| | Component | <u>Unit</u> | | <u>Amount</u> |
|---|---------------------------------------------------------------------|--------------------|----|---------------|
| | Expected Gas Cost (EGC) | \$/Mcf | \$ | 6.1789 |
| + | Refund Adjustment (RA) | \$/Mcf | \$ | |
| + | Actual Adjustment (AA) | \$/Mcf | \$ | (1.8382) |
| + | Balance Adjustment (BA) | \$/Mcf | \$ | - |
| = | Gas Cost Recovery Rate (GCR) | | \$ | 4.3408 |
| | GCR to be effective for service rendered from January 1, 2010 to Ma | rch <u>31, 201</u> | 0 | |
| Α | EXPECTED GAS COST CALCULATION | <u>Unit</u> | | <u>Amount</u> |
| | Total Expected Gas Cost (Schedule II) | \$ | \$ | 330,178.23 |
| 1 | Sales for the 12 months ended <u>December 31, 2009</u> | Mcf | | 53,436 |
| = | Expected Gas Cost (EGC) | \$/Mcf | \$ | 6.1789 |
| В | REFUND ADJUSTMENT CALCULATION | <u>Unit</u> | | <u>Amount</u> |
| | Supplier Refund Adjustment for Reporting Period (Sch. III) | | \$ | ~ |
| + | Previous Quarter Supplier Refund Adjustment | \$/Mcf | \$ | |
| + | Second Previous Quarter Supplier Refund Adjustment | \$/Mcf | \$ | - |
| + | Third Previous Quarter Supplier Refund Adjustment | \$/Mcf | \$ | |
| = | Refund Adjustment (RA) | \$/Mcf | \$ | _ |
| С | ACTUAL ADJUSTMENT CALCULATION | <u>Unit</u> | | <u>Amount</u> |
| | Actual Adjustment for the Reporting Period (Sch. IV) | \$/Mcf | \$ | (0.3096) |
| + | Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ | (0.1351) |
| + | Second Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ | (1.0971) |
| + | Third Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ | (0.2964) |
| = | Actual Adjustment (AA) | \$/Mcf | \$ | (1.8382) |
| D | BALANCE ADJUSTMENT CALCULATION | <u>Unit</u> | | <u>Amount</u> |
| | Balance Adjustment for the Reporting Period (Sch. V) | \$/Mcf | \$ | - |
| + | Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ | - |
| + | Second Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ | - |
| + | Third Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ | |
| = | Balance Adjustment (BA) | \$/Mcf | \$ | • |

East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual *MCF Purchases for 12 months ended December 31, 2009

| (1) | (2) | (3) BTU | (4) | (5)** | | (6) (4) x (5) |
|----------------------|-----|-------------------|-----------|--------|----------|------------------|
| Supplier | Dth | Conversion Factor | Mcf | Rate | | Cost |
| Quality Natural Gas, | LLC | | 75,483 \$ | 5.8700 | \$ \$ | 443,085.21 - |
| Totals | | | 75,483 | | \$ | 443,085.21 |

Line loss 12 months ended December 31, 2009 is 29.2%*** based on purchases of 75,483 Mcf and sales of 53,436 Mcf.

| | <u>Unit</u> | <u>Amount</u> |
|-------------------------------------------------------------|-------------|---------------|
| Total Expected Cost of Purchases (6) | \$ | \$ 443,085 |
| / Mcf Purchases (4) | Mcf | 75,483 |
| = Average Expected Cost Per Mcf Purchased | \$/Mcf | \$ 5.8700 |
| x Allowable Mcf Purchases (must not exceed Mcf sales / .95) | Mcf | 56,248 |
| = Total Expected Gas Cost (to Schedule 1A) | \$ | \$ 330,178 |

^{*} Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein

^{**} Supplier's tariff sheets or notices are attached

^{***} Purchased volumes for last 2 months of 2009 are excessive and inconsistent with historical averages. KFG is investigating the potential billing errors with the supplier.

East Kentucky Utilities, Inc.

Schedule IV Actual Adjustment

For the 3 month period ending December 31, 2009

| (plus) Over-recovery component from collections through expired AAs (equals) Total Actual Adjustment for the Reporting Period (to Schedule I C) | (eguals) Actual Adjustment for the Reporting Period | (divide by) Sales for 12 Months ended December 31, 2009 | Total cost difference | | (equals) Monthly cost difference | (times) Actual sales during month | (equals) Difference | (minus) EGC in effect for month | (equals) Unit Cost of Gas | (not less than 95% of supply) | (divide by) Total Sales | Total Cost of Volumes Purchased | Total Supply Volumes Purchased | <u>Particulars</u> | |
|-------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|-----------------------|--------|-------------------------------------------|-----------------------------------|---------------------|---------------------------------|---------------------------|-------------------------------|-------------------------|---------------------------------|--------------------------------|--------------------|---------|
| n collection the Repor | eporting P | d Decemb | | | ↔ | Mcf | \$/Mcf | \$/Mcf | \$/Mcf | Mcf | | ↔ | Mcf | Unit | |
| ns t ting | erio | ĕ | | | € | | ↔ | S | ↔ | | | ↔ | | | |
| hrough expi Period (to S | d | 31, 2009 | | | \$ (5,681.87) \$ (4,207.92) \$ (6,651.45) | 3,098 | (1.8340) \$ | 7.2879 | 5.4539 | 3,167 | | 17,274 \$ | 3,334 | Oct-09 | Month 1 |
| red | | | | | ↔ | | € | 8 | ₩. | · | | 4 | | | |
| AAs edule I C) | | | | | (4,207.92) | 4,282 | (0.9827) \$ | 7.2879 | 6.3052 | 16,/14 | | 105,387 | 17,594 | Nov-09 | Month 2 |
| | | | | | V. | | ¥ | 9 | 4 | • | | €. | • | | 1 |
| | | Mcf | ↔ | Unit | (6,651.45) | 8,/33 | (0.7676) | 6/87.7 | 0.0200 | 13,052 | | 85,181 | 13,739 | Dec-09 | Month 3 |
| \$ (0.3096) | \$ (0.3096) | 53,436 | \$ (16,541.24) | Amount | | | | | | | | | | | 1 |

606 874 9928 From: KINZER COMPANIES

12/18/2009 14:50

#060 P.001/001

Quality Natural Gas, LLC PO Box 480 Allen, KY 41601

606-874-8041 x27 606-874-2203 fax

Attn: Patrick McNamee (mcnamee@kinzerdrilling.com)

Invoice for Natural Gas Sold

Buyer:

Kentucky Fronter Gas. LLC

Prestonsburg, KY 41653

PO Box 408

Invoice Date Invoice Number

12/18/2009 20091218KFG

Prod End Date

10/31/2009

Due Date

1/2/2010

606-886-6807 606-889-9196 FAX

| | | Period | Mcf | Dth | Gross | KW | V GATH | KV | W FUEL | TOTAL |
|-------------------|----------|------------|----------|----------|----------------|-----|---------|----|--------|---------------------|
| EAST KY UTILITIES | KWV 39 | 10/31/2009 | 1,235.82 | 1,585.89 | \$ 4,789.39 | \$1 | ,149.93 | \$ | 591.95 | \$ 6,531.27 |
| EAST KY UTILITIES | KWV 39B | 10/31/2009 | 373.00 | 472,59 | \$ 1,427.22 | \$ | 342.68 | \$ | 176.40 | \$ 1,946.30 |
| EAST KY UTILITIES | KWV 39C | 10/31/2009 | 1,419.17 | 1,788.41 | \$ 5,401.00 | \$1 | ,296.78 | \$ | 667 54 | \$ 7,365.32 |
| EAST KY UTILITIES | KWV 39D | 10/31/2009 | 109.46 | 132,86 | \$ 401.24 | \$ | 96.34 | \$ | 49.59 | \$ 547.17 |
| EAST KY UTILITIES | KWV 39E | 10/31/2009 | - | - | \$ - | \$ | - | \$ | - | \$ - , |
| EAST KY UTILITIES | KWV 4m26 | 10/31/2009 | 197.00 | 214.65 | \$ 648.24 | \$ | 155,64 | \$ | 80.12 | \$ 884.00 17.274 |

Quality Natural Gas, LLC PO Box 480 Allen, KY 41601

606-874-8041 x27 606-874-2203 fax

Attn Petrick McNamee (mcnamee@kinzeranlling.com)

Invoice for Natural Gas Sold

Buyer:

Kentucky Fronter Gas. LLC

PO 80x 408

Invoice Date Invoice Number

1/20/2010 2010120KFG 11/30-2009

Prestonsburg, KY 41653

Prod End Date

Due Date

2/4/2010

606-886-6807 606-889-9196 FAX

| | | | Period | Mcf | Dth | | Gross | KWV GATH | K١ | WV FUEL | | TOTAL |
|----|--------------------|----------|------------|----------|-----------|----|-----------|-------------|----|----------|----|-----------|
| | /EAST KY UTILITIES | KWV 39 | 11/30/2009 | 5 613.00 | 7,203 00 | \$ | 25,786,74 | \$ 5.222.90 | ŝ | 3.187.13 | \$ | 34.196 77 |
| | FAST KY UTILITIES | KWV 39B | 11/30/2009 | 706.00 | 895 00 | S | 3 204 10 | \$ 648.96 | S | 396.02 | ŝ | 4.249.08 |
| |) CASEKA UTILITIES | KWV 39C | 11/30/2009 | 9 834 00 | 12.393 00 | S | 44.366.94 | \$ 8.986 16 | 5 | 5.483 56 | 3 | 58.836.66 |
| 01 | JEANING FREE STATE | KWV 39D | 11/30/2009 | 1 104 00 | 1.340 00 | S | 4.797.20 | \$ 971.63 | 5 | 592.92 | S | 6.361.75 |
| | FASTRA LTTERES | KWV 39E | 11/30/2009 | | • | \$ | ~ | S - | S | - | \$ | |
| | VE AST MAN TURNIES | KWV 4m26 | 11/30/2009 | 337.00 | 357 00 | S | 1 313.86 | \$ 266 11 | 3 | 162.39 | S | 1 742 36 |

Quality Natural Gas, LLC

PO Box 480 Allen, KY 41601

606-874-8041 x27 606-874-2203 fax

Attn: Patrick McNamee (mcnamee@kinzerdrilling.com)

Invoice for Natural Gas Sold

Buyer:

Kentucky Frontier Gas, LLC

PO Box 408

Office igsinc@att.net

Invoice Date Invoice Number

2/17/2010 2010217KFG

Prestonsburg, KY 41653

Prod End Date

12/31/2009

Larry Rich Irich@kyfrontiergas.com Heather Powers hpowers@kyfrontiergas.com

Due Date

3/4/2010

606-886-6807

Margaret Bostow mbostow@kyfrontiergas.com

606-889-9196 FAX

| System | Meter | Period | Mcf | Dth | | Gross | KWV GATH | KWV FUEL | TOTAL |
|-------------------|----------|---------------|----------|----------|------|-----------|-------------|-------------|-----------------------|
| EAST KY UTILITIES | KWV 39 | 12/31/2009 | 6,386.00 | 8,195.00 | \$ | 30,567.35 | \$ 5,942.19 | \$ 3,778.01 | \$ 40,287.55 |
| EAST KY UTILITIES | KWV 39B | 12/31/2009 | 2,315.00 | 2,933.00 | \$ | 10,940.09 | \$ 2,126.72 | \$ 1,352.16 | \$ 14,418.97 |
| EAST KY UTILITIES | KWV 39C | 12/31/2009 | 3,448.00 | 4,346.00 | \$ | 16,210.58 | \$ 3,151.28 | \$ 2,003.57 | \$ 21,365.43 |
| EAST KY UTILITIES | KWV 39D | 12/31/2009 | 970.00 | 1,177.00 | \$ | 4,390.21 | \$ 853.44 | \$ 542.60 | \$ 5,786.25 |
| EAST KY UTILITIES | KWV 39E | 12/31/2009 11 | 9 - 1 | 1.327 - | \$ | - | \$ - | \$ - | \$ |
| EAST KY UTILITIES | KWV 4m26 | 12/31/2003 | 620.00 | 676.00 | . \$ | 2,521.48 | \$ 490.17 | \$ 311.64 | \$ 3,323.29 25, 18 |