September 15, 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:

Attached is an updated Gas Cost Adjustment filing with a revised EGC for the 4th quarter period commencing October 1, 2010.

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. Since EKU does not have access to the Columbia Appalachia Futures Index, EKU uses the NYMEX Futures spot price to calculate EGC. The calculation is included in the Schedule II footnotes.

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

Sincerely,

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

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

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Kentucky Frontier Gas, LLC
4891 Independence Street, Suite 200, Wheat Ridge, CO 80033
igsinc@att.net    303-422-3400    Fax 303-422-6105

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY. NO. _____103_____

_____ SHEET NO. _____1_____

East Kentucky Utilities, Inc.
            (Name of Utility)            CANCELING P.S. KY.NO.___102_____

_____SHEET NO._____

## RATES AND CHARGES

APPLICABLE:                    Entire area served

AVAILABILITY OF SERVICE:       Domestic and commercial use in applicable areas.

A. MONTHLY RATES:

|  | Base Rate | GCRR | Total |
|---|---|---|---|
| FIRST (1) MCF (MINIMUM BILL) | $ 10.0000 | 5.3134 | 15.3134 |
| OVER 1 MCF | $ 5.2553 | 5.3134 | 10.5687 |

B. DEPOSITS $100.00

DATE OF ISSUE            August 30, 2010
                        Month/Date/Year
DATE EFFECTIVE           October 1, 2010

ISSUED BY               _____
                        (Signature of Officer)

TITLE                   Member

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMINSSION
IN CASE NO. _____ DATED _____

<u>Company Name</u>

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost
Recovery Rate Calculation

Date filed:                                        August 30, 2009

_____

Date Rates to be Effective:                     October 1, 2010

_____

Reporting Period Ending:                         June 30, 2010

_____

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| Component | Unit | | Amount |
|---|---|---|---|
| Expected Gas Cost (EGC) | $/Mcf | $ | 5.7108 |
| + Refund Adjustment (RA) | $/Mcf | $ | - |
| + Actual Adjustment (AA) | $/Mcf | $ | (0.3975) |
| + Balance Adjustment (BA) | $/Mcf | $ | - |
| = Gas Cost Recovery Rate (GCR) | | $ | 5.3134 |

GCR to be effective for service rendered from July 1, 2010 to September 30, 2010

| A | EXPECTED GAS COST CALCULATION | Unit | | Amount |
|---|---|---|---|---|
| | Total Expected Gas Cost (Schedule II) | $ | $ | 324,318.72 |
| / | Sales for the 12 months ended June 30, 2010 | Mcf | | 56,790 |
| = | Expected Gas Cost (EGC) | $/Mcf | $ | 5.7108 |

| B | REFUND ADJUSTMENT CALCULATION | Unit | | Amount |
|---|---|---|---|---|
| | 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 | $ | - |

| C | ACTUAL ADJUSTMENT CALCULATION | Unit | | Amount |
|---|---|---|---|---|
| | Actual Adjustment for the Reporting Period (Sch. IV) | $/Mcf | $ | (0.0248) |
| + | Previous Quarter Reported Actual Adjustment | $/Mcf | $ | (0.4318) |
| + | Second Previous Quarter Reported Actual Adjustment | $/Mcf | $ | 0.1942 |
| + | Third Previous Quarter Reported Actual Adjustment | $/Mcf | $ | (0.1351) |
| = | Actual Adjustment (AA) | $/Mcf | $ | (0.3975) |

| D | BALANCE ADJUSTMENT CALCULATION | Unit | | Amount |
|---|---|---|---|---|
| | 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 | $ | - |

Revised 02-26-04

## East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

### SCHEDULE II

### EXPECTED GAS COST

Actual *MCF Purchases for 12 months ended <u>June 30, 2010</u>

| (1)<br><br>Supplier | (2)<br><br>Dth | (3)<br>BTU<br>Conversion Fact | (4)<br><br>Mcf | (5)**<br><br>Rate | (6)<br>(4) x (5)<br>Cost |
|---|---|---|---|---|---|
| Quality Natural Gas, LLC | | | 68,573 $ | 5.4253 | $ 372,029.10<br>$ - |
| Totals | | | 68,573 | | $ 372,029.10 |

Line loss for 12 months ended    <u>June, 2010</u>   based on purchases of     <u>68,573</u>

and sales of    <u>56,790</u> Mcf.      17.18%

|   |   | Unit |   | Amount |
|---|---|---|---|---|
| | Total Expected Cost of Purchases (6) | $ | $ | 372,029 |
| / | Mcf Purchases (4) | Mcf | | 68,573 |
| = | Average Expected Cost Per Mcf Purchased | $/Mcf | $ | 5.4253 |
| x | Allowable Mcf Purchases (must not exceed Mcf sales / .95) | Mcf | | 59,779 |
| = | Total Expected Gas Cost (to Schedule 1A) | $ | $ | 324,319 |

\*   MCF purchases for 12 months ended June 30, 2010 have been adjusted to
reflect credits from supplier due to over charging East Kentucky Utilities.

\*\*   EGC rate is calculated as follows: NYMEX futures for Oct. ($3.9330/Dth),
Nov. ($4.1700/Dth) and Dec. ($4.4650/Dth) = average $4.1913/Dth x 80% = $3.3531/Dth
+ $0.72/Dth (transportation) = $4.0731/Dth + 11% (fuel charge) = $4.5211/Dth x 1.2 Dth/Mcf = $5.4253/Mcf

# East Kentucky Utilities, Inc.

Schedule IV
Actual Adjustment

For the 3 month period ending June 30, 2010

| Particulars | Unit | | Month 1 Apr-10 | | Month 2 May-10 | | Month 3 Jun-10 |
|---|---|---|---|---|---|---|---|
| Total Supply Volumes Purchased | Mcf | | 2,767 | | 1,904 | | 861 |
| Total Cost of Volumes Purchased | $ | $ | 18,273 | $ | 11,158 | $ | 4,993 |
| (divide by) Total Sales | | | | | | | |
| (not less than 95% of supply) | Mcf | | 3,625 | | 1,809 | | 908 |
| (equals) Unit Cost of Gas | $/Mcf | $ | 5.0408 | $ | 6.1687 | $ | 5.4989 |
| (minus) EGC in effect for month | $/Mcf | $ | 5.6173 | $ | 5.6173 | $ | 5.6173 |
| (equals) Difference | $/Mcf | $ | (0.5765) | $ | 0.5514 | $ | (0.1184) |
| (times) Actual sales during month | Mcf | | 3,625 | | 1,435 | | 908 |
| (equals) Monthly cost difference | $ | $ | (2,089.71) | $ | 791.30 | $ | (107.51) |

| | Unit | Amount |
|---|---|---|
| Total cost difference | $ | $ (1,405.92) |
| (divide by) Sales for 12 Months ended June 30, 2010 | Mcf | 56,790 |
| (equals) Actual Adjustment for the Reporting Period | | $ (0.0248) |
| (plus) Over-recovery component from collections through expired AAs | | $ - |
| (equals) Total Actual Adjustment for the Reporting Period (to Schedule I C) | | $ (0.0248) |

Revised 02-26-04