



November 28, 2011

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

RECEIVED

NOV 30 2011

PUBLIC SERVICE  
COMMISSION

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 January 1, 2012.

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 \$0.72/Dth plus 11% fuel.

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



Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost  
Recovery Rate Calculation

Date filed: November 28, 2011

---

Date Rates to be Effective: January 1, 2012

---

Reporting Period Ending: September 30, 2011

---

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 5.1640
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.0684)
+ Balance Adjustment (BA)	\$/Mcf	\$ -
= Gas Cost Recovery Rate (GCR)		\$ 5.0956

GCR to be effective for service rendered from January 1, 2012 to March 31, 2012

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 288,445.55
/	Sales for the 12 months ended <u>September 30, 2011</u>	Mcf	55,857
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.1640

B	<u>REFUND ADJUSTMENT CALCULATION</u>	<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	\$ -

C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Sch. IV)	\$/Mcf	\$ (0.0190)
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0466)
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0246)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.0218
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.0684)

D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<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: September 30, 2011

(1) Supplier	(2) Dth	(3) BTU Conversion Fact	(4) Mcf	(5)* Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			59,252	\$ 4.9058	\$ 290,678.46
					\$ -
Totals			59,252		\$ 290,678.46
Line loss for 12 months ended and sales of	<u>Sep-11</u> <u>55,857</u>	based on purchases of Mcf.		<u>59,252</u>	Mcf
			5.73%		

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 290,678
/ Mcf Purchases (4)	Mcf	59,252
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.9058
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	58,797
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 288,446

\* EGC rate is calculated as follows: NYMEX futures for Jan (\$3.545); Feb (\$3.585); Mar (\$3.695) = \$3.6083/Dth (avg.)  
x .8 = \$2.8867 + \$0.12 (avg. basis)\*\*+ \$0.725 (trans.) + 12.35% (fuel) = \$4.0882 x 1.2 Dth/Mcf =  
\$4.9058 \$/Mcf

\*\* TCo Appalachian Index Basis

**East Kentucky Utilities, Inc.**

Schedule IV  
Actual Adjustment

For the 3 month period ending: September 30, 2011

Particulars	Unit	Month 1	Month 2	Month 3
		Jul-11	Aug-11	Sep-11
Total Supply Volumes Purchased	Mcf	825	871	860
Total Cost of Volumes Purchased	\$	\$ 4,956	\$ 5,175	\$ 5,131
(divide by) Total Sales (not less than 95% of supply)	Mcf	869	832	954
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.7031	\$ 6.2200	\$ 5.3784
(minus) EGC in effect for month	\$/Mcf	\$ 6.1480	\$ 6.1480	\$ 6.1480
(equals) Difference	\$/Mcf	\$ (0.4449)	\$ 0.0720	\$ (0.7696)
(times) Actual sales during month	Mcf	869	832	954
(equals) Monthly cost difference	\$	\$ (386.61)	\$ 59.86	\$ (734.19)

	Unit	Amount
Total cost difference	\$	\$ (1,060.94)
(divide by) Sales for 12 Months ended: <u>September 30, 2011</u>	Mcf	55,857
(equals) Actual Adjustment for the Reporting Period		\$ (0.01899)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ (0.0190)