



May 30, 2012

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

RECEIVED

MAY 31 2012

PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
B.T.U. Gas Company

Dear Mr. Derouen:

Kentucky Frontier Gas, LLC (KFG) appointed as operator of B.T.U. Gas Company by the U.S. Bankruptcy Court, Case No. 10-70767-TNW, August 11, 2011. On behalf of BTU, KFG is filing for a Gas Cost Recovery for the period commencing July 1, 2012.

Enclosed is a GCA form and related calculations on which we base our request for rate changes. The cost of gas from suppliers varies from \$3.60/Mcf to \$6.00/Mcf. The B.T.U. system is currently experiencing high L&U as a result of unmetered users and potential interconnections to other systems not part of B.T.U.

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

Sincerely,

KENTUCKY FRONTIER GAS, LLC

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

BTU Gas Company, Inc.
(Name of Utility)

CANCELING P.S. KY.NO. _____

_____ SHEET NO. _____

RATES AND CHARGES

APPLICABLE: Entire area served

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

A. MONTHLY RATES:

	<u>Base Rate</u>	<u>GRR</u>	<u>Total</u>
FIRST (1) MCF (MINIMUM BILL)	\$ 3.9000	13.6745	17.5745
OVER 1 MCF	\$ 2.9700	13.6745	16.6445

B. DEPOSITS:

DATE OF ISSUE _____ May 31, 2012 _____

DATE EFFECTIVE _____ July 1, 2012 _____

ISSUED BY _____  _____
(Signature of Officer)

TITLE _____ Member _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. _____ DATED _____

Company Name

BTU Gas Company, Inc.

3 Month Report of Gas Cost
Recovery Rate Calculation

Date filed: May 31, 2012

Date Rates to be Effective: July 1, 2012

Reporting Period Ending: March 31, 2012

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

	<u>Component</u>	<u>Unit</u>	<u>Amount</u>
	Expected Gas Cost (EGC)	\$/Mcf	\$ 11.9937
+	Refund Adjustment (RA)	\$/Mcf	\$ -
+	Actual Adjustment (AA)	\$/Mcf	\$ 1.6809
+	Balance Adjustment (BA)	\$/Mcf	\$ -
=	Gas Cost Recovery Rate (GCR)		\$ 13.6745

GCR to be effective for service rendered from Jul 1, 2012 to Sep 30, 2012

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 280,400
/	Sales for the 3 months ended: March 31, 2012	Mcf	23,379
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 11.9937

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	\$ (2.9681)
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 4.6490
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
=	Actual Adjustment (AA)	\$/Mcf	\$ 1.6809

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	\$ -

BTU Gas Company, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual *MCF Purchases for 4 months ended: December 31, 2011

(1) Supplier	(2) Dth	(3) Conversion Fact	(4) Mcf	(5)* Rate	(6) (4) x (5) Cost
Gibraltar			2,566	\$ 3.6000	\$ 9,238
Gray			4,036	\$ 3.6000	\$ 14,530
HI-Energy			537	\$ 4.8000	\$ 2,578
Kentucky Reserves			16,576	\$ 5.4000	\$ 89,510
Slone			273	\$ 4.5000	\$ 1,229
Spirit			22,247	\$ 6.0000	\$ 133,482
Tackett			5,027	\$ 3.6000	\$ 18,097
Walker			2,755	\$ 3.6000	\$ 9,918
Totals			54,017		\$ 278,581

% Loss for 8 mos ended and sales of Mar-31 based on purchases of 54,017
23,379 Mcf. 57% **

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 278,581
/ Mcf Purchases (4)	Mcf	54,017
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 5.1573
x Mcf Purchases based on 57% line loss	Mcf	54,370
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 280,400

* Spirit Energy contract = \$5.00/Dth x 1.2 Dth/Mcf = \$6.00/Mcf
 Kentucky Reserves contract = \$4.50/Dth x 1.2 Dth/Mcf = \$5.40/Mcf
 HI-Energy contract = \$4.00/Dth x 1.2 Dth/Mcf = \$4.80/Mcf
 All others = \$3.000/Dth or 80% of TCO whichever is greater
 EGC 3 month avg. TCO Appa futures : Jul (\$2.541/Dth); Aug (\$2.595/Dth); Sep (\$2.634/Dth)
 = \$2.590/Dth x .8 = \$2.072/Dth < \$3.00/Dth therefore \$3.00/Dth x 1.2 Mcf/Dth = \$3.6000/Mcf

** L&U is on-going issue due to unmetered connections.

BTU Gas Company, Inc. - GAS COST RECOVERY RATE

Schedule IV
Estimated Adjustment

For the 3 month period ending: December 31, 2011

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>	<u>Month 2</u>	<u>Month 2</u>
		<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>
Actual Supply Volumes Purchased	Mcf	11,374	8,596	4,324
Actual Cost of Volumes Purchased	\$	\$ 47,145	\$ 35,345	\$ 17,420
(divide by) Total Sales (based on actual L&U)	Mcf	3,042	5,523	3,618
(equals) Unit Cost of Gas	\$/Mcf	\$ 15.4980	\$ 6.3996	\$ 4.8148
(minus) EGC in effect for month	\$/Mcf	\$ 13.8966	\$ 13.8966	\$ 13.8966
(equals) Difference	\$/Mcf	\$ 1.6014	\$ (7.4970)	\$ (9.0818)
(times) Actual sales during month	Mcf	3,042	5,523	3,618
(equals) Monthly cost difference	\$	\$ 4,872	\$ (41,406)	\$ (32,858)

	<u>Unit</u>	<u>Amount</u>
Estimated cost difference	\$	\$ (69,392)
(+ by) Sales for 3 Months ended: <u>March 31, 2012</u>	Mcf	23,379
(equals) Estimated Adjustment for the Reporting Period		\$ (2.9681)
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Estimated Adjustment for the Reporting Period (to Schedule I C)		\$ (2.9681)