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PUBLIC SERVICE  
COMMISSION

February 26, 2013

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, 2013.

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 \$0.725/Dth plus 12.35% 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: February 27, 2013

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Date Rates to be Effective: April 1, 2013

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Reporting Period Ending: December 31, 2012

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SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)		\$ 4.9122
+ Refund Adjustment (RA)		
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.0241)
+ Balance Adjustment (BA)	\$/Mcf	\$ -
= Gas Cost Recovery Rate (GCR)		\$ 4.8881

GCR to be effective for service rendered from 4/1/13 to 6/30/13

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 219,384.23
/	Sales for the 12 months ended <u>December 31, 2012</u>	Mcf	44,661
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 4.9122

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	\$ 0.2931
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.0216
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0498)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.2890)
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.0241)

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: December 31, 2012

(1) Supplier	Dth	Conversion Fact	Mcf	(5)* Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			50,390	\$ 4.6666	\$ 235,149.97
					\$ -
Totals			50,390		\$ 235,149.97

Line loss for 12 months ended Dec-12 based on purchases of 50,390 Mcf  
and sales of 44,661 Mcf. = 11.4%

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 235,150
/ Mcf Purchases (4)	Mcf	50,390
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.6666
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	47,012
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 219,384

\* NYMEX Futures 3 Mo. Avg. = \$3.5200/Dth + \$0.00 TCo Appa (basis) = \$3.5200/Dth  
x .8 = \$2.8160 + \$0.725 (trans.) + \$0.3478 (12.35% fuel) = \$3.8888 x 1.2 Dth/Mcf =  
\$4.6666 \$/Mcf

**East Kentucky Utilities, Inc.**

Schedule IV  
Actual Adjustment

For the 3 month period ending: December 31, 2012

<u>Particulars</u>	<u>Unit</u>	<u>Oct-12</u>	<u>Nov-12</u>	<u>Dec-13</u>
Total Supply Volumes Purchased	Mcf	2,375	8,146	8,865
Total Cost of Volumes Purchased	\$	\$ 10,203	\$ 37,806	\$ 43,474
(divide by) Total Sales (not less than 95% of supply)	Mcf	2,256	7,739	8,422
(equals) Unit Cost of Gas	\$/Mcf	\$ 4.5221	\$ 4.8853	\$ 5.1621
(minus) EGC in effect for month	\$/Mcf	\$ 4.0918	\$ 4.0918	\$ 4.0918
(equals) Difference	\$/Mcf	\$ 0.4303	\$ 0.7935	\$ 1.0703
(times) Actual sales during month	Mcf	2,139	6,934	6,228
(equals) Monthly cost difference	\$	\$ 920.42	\$ 5,502.24	\$ 6,665.89

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 13,088.56
(divide by) Sales for 12 Months ended: <u>December 31, 2012</u>	Mcf	44,661
(equals) Actual Adjustment for the Reporting Period		\$ 0.29306
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.2931