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PUBLIC SERVICE
COMMISSION

Elizabeth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, KY 40602

August 31, 2004

RE: Case No. ~~2004-00289~~

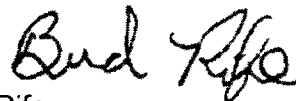
Case 2004-00345

Dear Ms. O'Donnell:

I have enclosed an original and four copies of Johnson County Gas Company's scheduled quarterly Gas Cost Adjustment **filing** to be effective October 1, 2004. The proposed rates are based on a projected decrease in supplier rates for October, November, and December 2004 combined with a net over-recovery of gas cost for the quarter ended June 30, 2004.

Please do not hesitate to contact me if you have any questions.

Sincerely,



Bud Rife

Johnson County Gas Company

QUARTERLY REPORT OF GAS COST RECOVERY RATE CALCULATION

Date Filed: September 1, 2004

Date Rates to be Effective: October 1, 2004

Reporting Period is the Calendar Quarter Ended:

June 30, 2004

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

Component	\$/Mcf
Expected Gas Cost (EGC)	8.2737
+ Refund Adjustment (RA)	0.0000
+ Actual Adjustment (AA)	(0.0906)
+ <u>Balance Adjustment (BA)</u>	0.1669
= Gas Cost Recovery Rate (GCR)	8.3500

GCR to be effective for service rendered from

October 1, 2004
to January 1, 2005

Proposed rates:	Base Rates	+	GCR	=	Retail Rates
RES	\$6.9542		\$8.3500		\$15.3042
	\$5.9542		\$8.3500		\$14.3042
COMM	\$6.3042		\$8.3500		\$14.6542

A.

EXPECTED GAS COST CALCULATION

	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch. II)	\$	158,780
/ Sales for the 12 months ended	Mcf	19,191
= Expected Gas Cost (EGC)	\$/Mcf	8.2737

B.

REFUND ADJUSTMENT CALCULATION

	<u>\$/Mcf</u>
Supplier Refund Adjustment for the Reporting Period (Sch. III)	0.0000

C.

ACTUAL ADJUSTMENT CALCULATION

	<u>\$/Mcf</u>
Actual Adjustment for the Reporting Period (Sch. IV)	0.0583
+ Previous Quarter Reported AA	0.2470
+ Second Previous Quarter Reported AA	(0.3335)
+ Third Previous Quarter Reported AA	(0.0624)
= Actual Adjustment (AA)	(0.0906)

D.

BALANCE ADJUSTMENT CALCULATION

	<u>\$/Mcf</u>
Balance Adjustment for the Reporting Period	0.1629
+ Previous Quarter Reported BA	0.0106
+ Second Previous Quarter Reported BA	0.0002
+ Third Previous Quarter Reported BA	(0.0068)
= Balance Adjustment (BA)	0.1669

SCHEDULE II

EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended			June 30, 2004		
(1)	(2)	(3) Btu Factor	(4)	(5)	(6) (4)x(5) Cost
<u>Supplier</u>	<u>Dth</u>	<u>Factor</u>	<u>Mcf</u>	<u>Rate*</u>	<u>Cost</u>
Interstate Natural Gas Company			24,324	\$7.8600	\$191,187
Total			24,324		\$191,187

Line loss for 12 month period is 21.10% based on purchases of 24,324 Mcf and sales of 19,191 Mcf.

Total Expected Cost of Purchases (6)	\$191,187
/Mcf Purchases (4)	24,324
= Average Expected Cost Per Mcf of Purchases	\$7.8600
x Allowable Mcf Purchases (must not exceed Sales Mcf/.95)	20,201
= Total Expected Gas Cost (to Schedule I.A)	\$158,780

*Rate is the average of the estimates for October, November, and December 2004 prices for Interstate Natural Gas Company, which is attached. \$7.8600 is the average of the 3 months' averages of Columbia Transmission and Kentucky West-transported volumes.

Average cost calculation:

	Oct	Nov	Dec	Average
Columbia Transmission	\$6.90	\$7.62	\$8.22	\$7.58
Kentucky West	\$7.46	\$8.18	\$8.78	\$8.14
Average				\$7.8600

SCHEDULE III

REFUND ADJUSTMENT

For the 3 month period ending June 30, 2004

(Absent any supplier refund, this sheet will not be used.)

SCHEDULE IV
ACTUAL ADJUSTMENT

For the three month period ending June 30, 2004

	<u>Unit</u>	<u>April</u>	<u>May</u>	<u>June</u>
Total Supply Volumes Purchased	Mcf	1,497	727	525
Total Cost of Volumes Purchased	\$	10,758	5,841	4,752
Divided by:				
Total Sales (may not be less than <u>95% of supply volumes</u>)	Mcf	1,422	691	499
= Unit Cost of Gas	\$	7.5646	8.4573	9.5278
Minus:				
EGC in effect for the month	\$/Mcf	7.4140	7.4140	7.4140
= Difference	\$/Mcf	0.1506	1.0433	2.1138
<u>x Actual sales during month</u>	Mcf	1,274	368	257
= Monthly Cost Difference	\$	192	384	543
Total Cost Difference			<u>Unit</u>	<u>Amount</u>
<u>/ Sales for 12 months ending</u> <u>June 30, 2004</u>			\$	1,119
			Mcf	19,191
= Actual Cost Adjustment for the Reporting Period			\$/Mcf	0.0583

SCHEDULE V

BALANCE ADJUSTMENT

For the 3 month period ending	June 30, 2004		
AA in effect from rate filing effective July 1, 2003		<u>Unit</u> \$/Mcf	<u>Amount</u> 1.0710
<u>x Sales for 12 months ending</u>	June 30, 2004	Mcf	19,191
= Total Amount Collected/(Returned) through AA		\$	20,554
Amount Authorized to be Collected/(Returned)		\$	23,679
Amount Remaining to be Collected/(Returned)		\$	3,125
Balance Adjustment for the Reporting Period		\$/Mcf	0.1629

Johnson County Gas Company

OF
Johnson County, Kentucky

Rates, Rules and Regulations For Furnishing Gas

AT

Van Lear, Hager Hill, East Point, and Meally

**Filed With Public Service Commission Of
Kentucky**

Issued September 1, 2004 Effective October 1, 2004

**Issued By Johnson County Gas
Company
By Bud Rife
President / Manager**

P.S.C. Ky. No. _____

Cancels P.S.C. Ky. No. 2004-00239

Johnson County Gas Company

Of

Harold, Kentucky 41635

Rates, Rules and Regulations For Furnishing Gas

At


Meally, Van Lear, East Point and Hager Hill

**Filed With Public Service Commission
Of Kentucky**

Issued September 1, 2004

Effective October 1, 2004

Issued By: Johnson County Gas Company

By: 
President/Manager

Van Lear, Hager Hill,
East Point, and Meally

P.S.C. NO. _

CANCELLING P.S.C. NO. 2004-00239

Johnson County Gas Company

CLASSIFICATION OF SERVICE

Proposed Rates:

Residential

First Mcf(minimum bill)	\$15.3042
All over 1 Mcf	\$14.3042

Commercial

First Mcf	\$14.6542
All over 1 Mcf	\$14.6542

A surcharge in the amount of \$.4155 will be added to the above rates until the amount owed to Kentucky West Virginia Gas Company has been collected.

DATE OF ISSUE September 1, 2004 DATE EFFECTIVE October 1, 2004

ISSUED BY Bud Rife, President/Manager P. O. Box 339 Harold, KY 41635



Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ dated _____

Interstate Natural Gas Company
 134 Mims Branch
 Pikeville, KY 41501
 (606) 432-0526
 (606) 432-3032 Fax



	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
October 2004	NYMEX Price	Appalachian Basin	Subtotal	Columbia Transmission FERC	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$5.32	0.28	\$5.60	0.1533	\$5.75	1.2	\$6.90

	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
November 2004	NYMEX Price	Appalachian Basin	Subtotal	Columbia Transmission FERC	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$5.92	0.28	\$6.20	0.1533	\$6.35	1.2	\$7.62

	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
December 2004	NYMEX Price	Appalachian Basin	Subtotal	Columbia Transmission FERC	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$6.42	0.28	\$6.70	0.1533	\$6.85	1.2	\$8.22

Interstate Natural Gas Company

134 Mims Branch

Pikeville, KY 41501

(606) 432-0526

(606) 432-3032 Fax

	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
October 2004	NYMEX Price	Appalachian Basin	Subtotal	KY West Transportation	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$5.32	0.28	\$5.60	0.61	\$6.21	1.2	\$7.46

	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
November 2004	NYMEX Price	Appalachian Basin	Subtotal	KY West Transportation	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$5.92	0.28	\$6.20	0.61	\$6.81	1.2	\$8.18

	A (C-B)	B	C (A+B)	D	E (C+D)	F	G (E*F)
December 2004	NYMEX Price	Appalachian Basin	Subtotal	KY West Transportation	Total Per MMBTU	BTU Factor	Total Price Per MCF
End of Month Posting	\$6.42	0.28	\$6.70	0.61	\$7.31	1.2	\$8.78



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Energy
Henry Hub Natural Gas (NG)

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Market		Open	High	Low	Last	Change	Time
NGU4	Sep 2004	5.340	5.265	5.180	5.205	-0.083	11:33
NGV4	Oct 2004	5.395	5.395	5.385	5.320	-0.112	11:33
NGX4	Nov 2004	6.000	6.100	6.900	5.920	-0.162	11:34

Quotes

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NGZ4	Dec 2004	6.490	6.490	6.420	6.420	-0.153	11:32
NGF5	Jan 2005	6.960	6.780	6.700	6.700	-0.167	11:34
NGG5	Feb 2005	6.760	6.780	6.730	6.750	-0.082	11:32
NGH5	Mar 2005	6.650	6.670	6.580	6.580	-0.117	11:34
NGJ5	Apr 2005	6.090	6.100	6.040	6.060	-0.035	11:19
NGK5	May 2005	5.970	5.970	5.940	5.960	-0.017	11:19
NGM5	Jun 2005	5.990	5.980	5.980	5.980	-0.017	11:21
NGN5	Jul 2005	6.030	6.030	6.010	6.010	-0.017	11:23
NGO5	Aug 2005	6.050	6.050	6.030	6.030	-0.012	11:28
NGU5	Sep 2005	6.056	6.065	6.020	6.020	-0.012	11:28
NGV5	Oct 2005	6.085	6.105	6.070	6.058	0.000	set 11:29
NGX5	Nov 2005	6.300	6.325	6.290	6.283	0.000	set 11:56
NGZ6	Dec 2006	6.510	6.635	6.500	6.467	0.000	set 11:24
NGF6	Jan 2006	6.645	6.660	6.635	6.637	0.000	set 11:17
NGG6	Feb 2006	6.590	6.610	6.590	6.587	0.000	set 11:17
NGH6	Mar 2006	6.425	6.450	6.425	6.422	0.000	set 11:25
NGJ6	Apr 2006	5.730	5.730	5.710	5.702	0.000	set 11:18
NGK6	May 2006	5.600	5.600	5.600	5.567	0.000	set 11:04
NGM6	Jun 2006	5.610	5.610	5.610	5.575	0.000	set 11:30
NGN6	Jul 2006	5.610	5.610	5.610	5.593	0.000	set 11:01
NGO6	Aug 2006	5.650	5.650	5.620	5.610	0.000	set 11:25
NGU6	Sep 2006	5.635	5.635	5.635	5.592	0.000	set 11:22
NGV6	Oct 2006	5.670	5.670	5.670	5.617	0.000	set 11:19
NGX6	Nov 2006	5.850	5.850	5.850	5.846	0.000	set 11:25
NGZ6	Dec 2006	6.050	6.050	6.050	6.036	0.000	set 11:47