



Ernie Fletcher
Governor

LaJuana S. Wilcher, Secretary
Environmental and Public
Protection Cabinet

Christopher L. Lilly
Commissioner
Department of Public Protection

Randall A. Hayes
President
Peoples Gas, Inc.
P. O. Box 245
Stanville, KY 41659-0245

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

Gregory Coker
Commissioner

December 21, 2005

CERTIFICATE OF SERVICE

RE: Case No. 2005-00483
Peoples Gas, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on December 21, 2005.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF PEOPLE'S) CASE NO. 2005-00483
GAS, INC.)

ORDER

On April 30, 2001, in Case No. 2001-00027, the Commission approved the transfer of the Phelps portion of the Mike Little Gas Co., Inc. ("Mike Little") system to People's Gas, Inc. ("People's") and provided for the adjustment of rates on a quarterly basis in accordance with Mike Little's gas cost adjustment ("GCA") clause, which People's adopted and ratified as ordered in paragraph 3 of the Commission's Order approving the transfer.¹

On November 29, 2005, People's filed its GCA to be effective January 1, 2006.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. People's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

2. People's notice sets out an expected gas cost ("EGC") of \$10.2178 per Mcf. People's EGC is based on Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service rate ("IUS"). Effective November 29, 2005 Columbia revised its IUS rate to \$14.6394.² In order to allow People's to more accurately recover its gas cost over

¹ Case No. 2001-00027, Joint Petition of Mike Little Gas Company, Inc. and People's Gas Inc. for the Transfer of Gas Transmission Facilities and Joint Motion for Relief from Compliance Schedule.

² Case No. 2005-00444, Notice of Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc., Order dated November 28, 2005.

the next quarter, the Commission is revising People's EGC to \$15.4099 to reflect Columbia's new rate, which is an increase of \$5.4913 per Mcf from its prior EGC of \$9.9186.

3. People's notice sets out no current quarter refund adjustment.

4. People's notice sets out a current quarter actual adjustment ("AA") of \$1.3422 per Mcf. People's used an incorrect EGC in its calculation for July 2005. Correcting for this error produces a current quarter AA of \$1.3463 per Mcf. People's total AA is \$2.6224 per Mcf, which is an increase of 38.18 cents per Mcf from its previous total AA.

5. People's notice proposes no current quarter balance adjustment ("BA"); therefore, the Commission calculated a current quarter BA of (17.87) cents per Mcf in order to true up a large expired AA factor from Case No. 2004-00152.³ People's total BA is 9.13 cents per Mcf, which is a decrease of 17.87 cents from its previous total BA.

6. People's GCA is \$18.1236 per Mcf, which is an increase of \$5.6944 per Mcf from its previous rate of \$12.4292.

7. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by People's on and after January 1, 2006.

IT IS THEREFORE ORDERED that:

1. The rates proposed by People's are denied.

³ Case No. 2004-00152, The Notice of Purchased Gas Adjustment Filing of People's Gas Inc., Order dated May 27, 2004.

2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after January 1, 2006.

3. Within 20 days of the date of this Order, People's shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 21st day of December, 2005.

By the Commission

ATTEST:


Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NOS. 2005-00483 DATED December 21, 2005.

The following rates and charges are prescribed for the customers in the area served by People's Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1 Mcf – Minimum Bill	\$4.3971	\$18.1236	\$22.5207
Over 1 Mcf	2.7670	18.1236	20.8906