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Mark David Goss
Chairman

Teresa J. Hill
Vice Chairman

September 28, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00423
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 September 28, 2006.

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. 2006-00423
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 September 26, 2006, People's filed its GCA to be effective October 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 \$10.8295 per Mcf. People's used an outdated rate for Columbia Gas of Kentucky's ("Columbia") Intrastate Utility Service. Columbia's rate,² effective August 29, 2006, is \$8.6708 per

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, Order dated April 30, 2001.

² Case No. 2006-00366, Notice of Purchased Gas Adjustment Filing of Columbia Gas of Kentucky, Inc., Order dated August 28, 2006.

Mcf. Correcting for this produces an EGC of \$9.1272 per Mcf, which is a decrease of \$2.8146 per Mcf from its prior EGC of \$11.9418.

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

4. People's notice sets out a current quarter actual adjustment ("AA") of 18.11 cents per Mcf. People's used the incorrect EGC for May 2006 and incorrectly calculated its cost difference for June and July 2006. Correcting for this produces a current quarter AA of (2.64) cents per Mcf. People's total AA is \$1.5483 per Mcf, which is a decrease of 55.68 cents per Mcf from its previous total AA.

5. People's notice proposes no current quarter balance adjustment ("BA"). People's total BA is (17.87) cents per Mcf, which is no change from its previous total BA.

6. People's GCA is \$10.4968 per Mcf, which is a decrease of \$3.3714 per Mcf from its previous rate of \$13.8682.

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 October 1, 2006.

IT IS THEREFORE ORDERED that:

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


2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after October 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 28th day of September, 2006,

By the Commission

ATTEST:



Executive Director

Case No. 2006-00423

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00423 DATED September 28, 2006.

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 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	\$10.4968	\$14.8939
Over 1 Mcf	2.7670	10.4968	13.2638