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December 19, 2006

Ms. Beth O'Donnell
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
PO Box 615
Frankfort, KY 40602

RECEIVED
DEC 21 2006
PUBLIC SERVICE
COMMISSION

RE: Equitable Gas Company
Case No. 2006-00560
GCR Filing Proposed to Become
Effective February 1, 2007

Dear Ms. O'Donnell:

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended October 31, 2006, for rates proposed to become effective February 1, 2007. Also included are an original and five copies of One Hundred Seventeenth Revised Sheet No. 2 and One Hundred Ninth Revised Sheet No. 5, to Equitable's PSC Kentucky No. 1 Tariff, which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff.

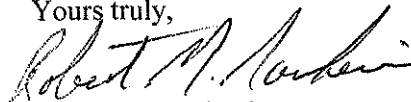
This filing proposes a GCR rate of \$11.6599 per Mcf of sales, an increase of \$0.3087 per Mcf from the current PGA, which was approved in Case No. 2006-00421 effective November 1, 2006.

For the purpose of forecasting its (EGC), Equitable is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the estimated cost of gas over 3 months beginning February 2007 and adding an additional \$0.27 Basis.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended October 2006. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended October 2006.

Schedules 4 and 5 are summaries of ACA components, which are presently unreconciled.

Yours truly,


Robert M. Narkevic
Manager, Rates

Enclosures

EQUITABLE GAS COMPANY
A DIVISION OF EQUITABLE RESOURCES, INC.
225 NORTH SHORE DRIVE
PITTSBURGH, PA 15212-5861

ONE HUNDRED SEVENTEENTH REVISED SHEET NO. 2
CANCELING
ONE HUNDRED SIXTEENTH REVISED SHEET NO. 2
P.S.C.K.Y. NO. 1

RATE

Customer: Various

Expiration: See "Special Conditions"

Point of Delivery:

At connection along Kentucky West Virginia Gas Company's well connection and gathering system in Eastern Kentucky included in Equitable Gas Company's service area.

Rate:

Customer Service Charge: \$7.50

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate*</u>	=	<u>Total Rate</u>	
All Mcf	\$2.1322		\$11.6599 per MCF		\$13.7921	(I)

The minimum monthly bill shall be \$7.50.

*The "Gas Cost Recovery Rate (GCR)" as shown above, is an adjustment per Mcf determined in accordance with the "Gas Cost Adjustment Clause" as set forth on Sheets No. 4 and 5 of this tariff.

The following adjustment shall be made to the above rates:

- (1) Customer bills may also include gross receipts license taxes as authorized under the Kentucky Education Reform Act of 1990.

Gas delivered pursuant to this tariff is from pipelines owned and operated by Equitable Gas Company's supplier and all gas sold hereunder is made available by said supplier. Equitable shall have the right to abandon gas service to any customer served from any line which is no longer operated by its supplier for any reason whatsoever. All gas sold and delivered under this Tariff shall be delivered at the varying pressures of Equitable's supplier's pipeline, and it shall be the responsibility of the customer to supply, maintain, and operate the necessary regulator and related equipment for the customer's use.

(I) Indicates Increase.

ISSUED: December 19, 2006

EFFECTIVE: February 1, 2007

D. L. Frutchey
Senior Vice President

PURCHASED GAS ADJUSTMENT CLAUSE
(Continued)

Definitions

For purposes of this tariff:

- a. "Average Expected Cost" is the cost of purchased gas which results from the application of supplier rates currently in effect, or reasonably expected to be in effect during the calendar quarter, on purchased gas volumes during the twelve-month period ending with the reporting period to which the GCR will apply, divided by the corresponding sales volume. Where the calculations require the use of volumes used during a given period, and those volumes did not exist for a particular source for the entire period, or the Company expects the volumes to change substantially, the Company may make appropriate adjustments to its calculations. Any adjustments of this type shall be described in the quarterly Gas Cost Recovery Report.
- b. "GCR" means the quarterly updated gas cost recovery rate and is the sum of the expected gas cost component plus the supplier refund adjustment plus the actual cost adjustment plus the balancing adjustment; i.e., $GCR = EGC + RA + ACA + BA$.
- c. "Calendar Quarters" means each of the four three-month periods of (1) February, March, and April; (2) May, June, and July; (3) August, September, and October; (4) November, December, and January.
- d. "Reporting Period" means the three-month accounting period that ended approximately sixty (60) days prior to the filing date of the updated gas cost recovery rates; i.e., the calendar quarters ended April 30, July 31, October 31, and January 31 of each year.

Gas Cost Recovery Rate (GCR):

Expected Gas Supply Cost (EGC)	12.3825	(I)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	(0.8375)	(D)
Balance Adjustment (BA)	<u>0.1149</u>	(D)
Total Gas Cost Recovery Rate per Mcf	11.6599	(I)

(I) Indicates Increase. (D) Indicates Decrease.

ISSUED: December 19, 2006

EFFECTIVE: February 1, 2007

D. L. Frutchey
Senior Vice President

Equitable Gas Company
Kentucky Division

Summary of Gas Cost Recovery Rate
Proposed to Become Effective for the
Period February 1, 2007 through April 30, 2007

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	Expected Gas Cost (EGC)	\$/Mcf	12.3825
2	Supplier Refund (RA)	\$/Mcf	0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf	(0.8375)
4	Balance Adjustment (BA)	\$/Mcf	<u>0.1149</u>
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf	<u>11.6599</u>
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	Total Expected Cost of Gas	\$	2,763,273 (a)
7	Total Annual Sales	Mcf	<u>223,159 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf	<u>12.3825</u>
 <u>Supplier Refund Adjustment Summary</u>			
9	Current Quarter Refund Adjustment	\$/Mcf	0.0000 (c)
10	Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (d)
11	2nd Previous Quarter Refund Adjustment	\$/Mcf	0.0000 (e)
12	3rd Previous Quarter Refund Adjustment	\$/Mcf	<u>0.0000 (f)</u>
13	Supplier Refund Adjustment (RA)	\$/Mcf	<u>0.0000</u>
 <u>Actual Cost Adjustment Summary</u>			
14	Current Quarter Adjustment	\$/Mcf	(0.2217) (g)
15	Previous Quarter Adjustment	\$/Mcf	0.0826 (d)
16	2nd Previous Quarter Adjustment	\$/Mcf	(0.0675) (e)
17	3rd Previous Quarter Adjustment	\$/Mcf	(0.6309) (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf	<u>(0.8375)</u>
 <u>Balance Adjustment Summary</u>			
19	Current Quarter Adjustment	\$/Mcf	(0.0357) (h)
20	Previous Quarter Adjustment	\$/Mcf	0.0514 (d)
21	2nd Previous Quarter Adjustment	\$/Mcf	0.1036 (e)
22	3rd Previous Quarter Adjustment	\$/Mcf	(0.0044) (f)
23	Balance Adjustment (BA)	\$/Mcf	<u>0.1149</u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during August 2006 through October 2006.

(d) As approved in Case No. 2006-00421.

(e) As approved in Case No. 2006-00319.

(f) As approved in Case No. 2006-00127.

(g) See Schedule 4.

(h) See Schedule 5.

Equitable Gas Company
Kentucky Division

Calculation of Expected Gas Cost Based on Purchases
for the Twelve Months Ended October 2006 At Supplier
Costs Estimated to Become Effective February 1, 2007

	<u>Purchases</u>	<u>Purchases</u>	<u>Average Rate</u>	<u>Annual Cost</u>
	(1)	(2)	(3)	(4)
	Mcf	Dth	\$/Dth	\$
			(a)	(2) x (3)
<u>PURCHASES</u>				
1 November 2005	15,849	19,876	9.7577	193,944
2 December	37,166	46,742	9.7577	456,094
3 January 2006	40,771	51,050	9.7577	498,131
4 February	37,470	47,563	9.7577	464,105
5 March	36,263	46,212	9.7577	450,923
6 April	21,288	27,595	9.7577	269,264
7 May	9,159	11,783	9.7577	114,975
8 June	6,945	8,918	9.7577	87,019
9 July	4,128	5,365	9.7577	52,350
10 August	3,930	5,042	9.7577	49,198
11 September	3,510	4,493	9.7577	43,841
12 October	6,680	8,550	9.7577	83,428
13 Total	<u>223,159</u>	<u>283,189</u>	<u>-</u>	<u>2,763,273</u>

(a) Estimated average rate based on average Nymex prices plus TCO basis for a 3 month period, plus \$0.72065/Dth VTS Rate from Kentucky West Virginia Gas Company, and adjusted for 11% retainage.

Schedule 3

Equitable Gas Company
Kentucky Division

Summary of Sales

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Sales</u> (1) Mcf
1	November 2005	15,849
2	December	37,166
3	January 2006	40,771
4	February	37,470
5	March	36,263
6	April	21,288
7	May	9,159
8	June	6,945
9	July	4,128
10	August	3,930
11	September	3,510
12	October	6,680
13	Total	<u>223,159</u>

Equitable Gas Company
Kentucky Division

Calculation of Actual Cost Adjustment for the Period
August 2006 through October 2006

<u>Description</u>	<u>Unit</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>Total</u>
	(1)	(2)	(3)	(4)	(5)
1 Supply Volume Per Invoice	Dth	5,042	4,493	8,550	18,085
2 Supply Cost Per Books	\$	38,125	20,340	36,297	94,762
3 Sales Volume	Mcf	3,930	3,510	6,680	14,120
4 EGC Rate in Effect (a)	\$/Mcf	10.2143	10.2143	10.2143	
5 EGC Revenue (Line 3 x Line 4)	\$	40,145	35,854	68,231	144,230
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	2,020	15,514	31,934	49,468
7 Total Current Quarter Actual Cost to be included in rates					49,468
8 Sales for the 12 Months Ended October 2006					223,159
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					(0.2217)

(a) Approved in Case No. 2006-00319.

Equitable Gas Company
Kentucky Division

Calculation of Balancing Adjustment for
Over/(Under) Recoveries of Gas Cost Incurred
During the Period November 2005 through October 2006

	Sales	ACA Rate	ACA Recovery	Over/(Under) Collection Balance
	(1)	(2)	(3)	(4)
	Mcf	\$/Mcf	\$ (1) x (2)	\$
Balance Approved by the Commission in Case No. 2005-00407				62,045
<u>Actual</u>				
November 2005	15,849	(0.2423)	(3,840)	58,205
December	37,166	(0.2423)	(9,005)	49,199
January 2006	40,771	(0.2423)	(9,879)	39,320
February	37,470	(0.2423)	(9,079)	30,241
March	36,263	(0.2423)	(8,786)	21,455
April	21,288	(0.2423)	(5,158)	16,297
May	9,159	(0.2423)	(2,219)	14,078
June	6,945	(0.2423)	(1,683)	12,395
July	4,128	(0.2423)	(1,000)	11,395
August	3,930	(0.2423)	(952)	10,443
September	3,510	(0.2423)	(851)	9,592
October	6,680	(0.2423)	(1,619)	7,973
Total	<u>223,159</u>		<u>(54,071)</u>	

Estimated Annual Sales 223,159 Mcf

Balancing Adjustment (\$0.0357) /Mcf
(\$7,973 ÷ 223,159 Mcf)

Equitable Gas Company
Kentucky Division

Summary of Proposed Tariff Rates

	<u>Current Tariff Rate</u>	<u>Current GCR Rate</u>	<u>Proposed GCR Rate</u>	<u>Difference</u>	<u>Proposed Tariff Rate</u>
	(1)	(2)	(3)	(4)	(5)
	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf	\$/Mcf
	(a)	(b)		(3) - (2)	(1) + (4)
All MCF	13.4834	11.3512	11.6599	0.3087	13.7921

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.
(b) Rate approved by the Commission at Case No. 2006-00421.

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Delivering Everyday Excellence™

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A Division of EQUITABLE RESOURCES

