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March 23, 2007

Ms. Beth O'Donnell  
Executive Director, Public Service Commission  
PO Box 615 / 211 Sower Blvd.  
Frankfort, KY 42602

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MAR 26 2007

PUBLIC SERVICE  
COMMISSION

RE: Case # Gas Cost Adjustment Report

Dear Ms. O'Donnell:

*Case No. 2007-00177*

The following document is Millennium Energy's Gas Cost Adjustment Report for quarter, May 1, 2007 through July 31, 2007.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", is written over a large, stylized circular flourish.

Gary K. Dillard  
Executive Vice President

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MAR 26 2007

PUBLIC SERVICE  
COMMISSION

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Case No. 2007-00177

QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

Date Filed: April 1, 2007

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Date Rates to be Effective: May 1, 2007 to July 31, 2007

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Reporting Period is Calendar Quarter Ended:

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**SCHEDULE I**  
**GAS COST RECOVERY RATE SUMMARY**

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 7.0451
+ Refund Adjustment (RA)	\$/Mcf	-
+ Actual Adjustment (AA)	\$/Mcf	(1.6629)
+ Balance Adjustment (BA)	\$/Mcf	<u>(0.0888)</u>
= Gas Cost Recovery Rate (GCR)	\$/Mcf	\$ 5.2934

GCR to be effective for service rendered from 05/1/07 to 07/31/07.

<b>A.</b>	<b><u>EXPECTED GAS COST CALCULATION</u></b>	<b><u>Unit</u></b>	<b><u>Amount</u></b>
	Total Expected Gas Cost (Schedule II)	\$	713,968.83
	+ Sales for the 12 months ended 1/31/2007	Mcf	<u>101,343.20</u>
	- Expected Gas Cost (EGC)	\$/Mcf	7.0451
<b>B.</b>	<b><u>REFUND ADJUSTMENT CALCULATION</u></b>	<b><u>Unit</u></b>	<b><u>Amount</u></b>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	\$ -
	+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
	+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
	+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	<u>\$ -</u>
	= Refund Adjustment (RA)	\$/Mcf	\$ -
<b>C.</b>	<b><u>ACTUAL ADJUSTMENT CALCULATION</u></b>	<b><u>Unit</u></b>	<b><u>Amount</u></b>
	Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	\$ (0.7344)
	+ Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0557)
	+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (1.0290)
	+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	<u>\$ 0.1562</u>
	= Actual Adjustment (AA)	\$/Mcf	\$ (1.6629)
<b>D.</b>	<b><u>BALANCE ADJUSTMENT CALCULATION</u></b>	<b><u>Unit</u></b>	<b><u>Amount</u></b>
	Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	\$ 0.0076
	+ Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ (0.0224)
	+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ 0.0046
	+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	<u>\$ (0.0786)</u>
	= Balance Adjustment (BA)	\$/Mcf	\$ (0.0888)

SCHEDULE II  
EXPECTED GAS COST

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Actual\* Mcf Purchase for 12 months ended

			01/31/07		
(1)	(2)	(3)	(4)	(5)	(6)
<u>Supplier</u>	<u>Dth</u>	<u>Heat Rate</u>	<u>Mcf</u>	<u>Rate</u>	<u>(4) x (5) Cost</u>
Feb-06 Atmos Energy Marketing	11,604.00	1.034	11,222.44	7.100	79,679.32
Mar-06 Atmos Energy Marketing	10,756.00	1.034	10,402.32	7.100	73,856.47
Apr-06 Atmos Energy Marketing	7,764.00	1.034	7,508.70	7.100	53,311.77
May-06 Atmos Energy Marketing	7,970.00	1.034	6,552.22	7.100	46,520.76
Jun-06 Atmos Energy Marketing	6,775.00	1.034	6,552.22	7.100	46,520.76
Jul-06 Atmos Energy Marketing	6,365.00	1.034	6,155.71	7.100	43,705.54
Aug-06 Atmos Energy Marketing	6,443.00	1.034	6,231.14	7.100	44,241.09
Sep-06 Atmos Energy Marketing	7,015.00	1.034	6,784.33	7.100	48,168.74
Oct-06 Atmos Energy Marketing	8,672.00	1.034	8,386.85	7.100	59,546.64
Nov-06 Atmos Energy Marketing	9,834.00	1.034	9,510.64	7.100	67,525.54
Dec-06 Atmos Energy Marketing	10,031.00	1.034	9,701.16	7.100	68,878.24
Jan-07 Atmos Energy Marketing	<u>11,944.00</u>	<u>1.034</u>	<u>11,551.26</u>	<u>7.100</u>	<u>82,013.95</u>
Totals	105,173.00	1.046	100,558.99	7.100	713,968.83

Line losses are 100,558.99 Mcf and sales of 101,343 Mcf. -0.78% for 12 months ended 1/31/2007 based on purchases of

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6) (to Schedule IA.)	\$	\$ 713,968.83
Expected Mcf Purchases (4)	Mcf	<u>100,558.99</u>
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 7.100
Plus: Expected Losses of <u>(not to exceed 5%)</u>	Mcf	<u>100,558.99</u>
= Total Expected Gas Cost	\$	\$ 713,968.83

Allowable Sales (maximum losses of 5%).

\$713,968.83

\*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

\*\*Supplier's tariff sheets or notices are attached.

SCHEDULE III  
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended 1/31/2007

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	\$ -
+ Interest	\$	\$ -
<hr/>		
= Refund Adjustment including interest	\$	\$ -
+ Sales for 12 months ended ____ 1/31/2007	Mcf	101,343
<hr/>		
=Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	\$ -

SCHEDULE IV  
ACTUAL ADJUSTMENT

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For the 3 month period ended 1/31/2007

<u>Particulars</u>	<u>Unit</u>	Month 1 <u>Nov-06</u>	Month 2 <u>Dec-06</u>	Month 3 <u>Jan-07</u>
Total Supply Volumes Purchased	Mcf	9,510.64	9,701.16	11,551.26
Total Cost of Volumes Purchased	\$	\$ 79,096.75	\$ 93,266.78	\$ 85,639.63
Total Sales (may not be less than 95% of supply volumes) (G8*0.95)	Mcf	<u>\$ 9,190.90</u>	<u>\$ 9,416.30</u>	<u>\$ 11,239.60</u>
= Unit Cost of Gas	\$/Mcf	\$ 8.6060	\$ 9.9048	\$ 7.6195
- EGC in effect for month	\$/Mcf	<u>\$ 11.1377</u>	<u>\$ 11.1377</u>	<u>\$ 11.1377</u>
= Difference [ (Over-)/Under-Recovery]	\$/Mcf	\$ (2.5317)	\$ (1.2329)	\$ (3.5182)
x Actual sales during month	Mcf	<u>9,190.90</u>	<u>9,416.30</u>	<u>11,239.60</u>
= Monthly cost difference	\$	(23,268.74)	(11,609.14)	(39,543.66)

Total cost difference (Month 1 + Month 2 + Month 3)	<u>Unit</u>	<u>Amount</u>
	\$	\$ (74,421.54)
+ Sales for 12 months ended <u>1/31/2007</u>	Mcf	<u>101,343</u>
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	\$ (0.7344)

SCHEDULE V  
BALANCE ADJUSTMENT

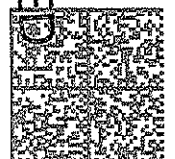
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For the 3 month period ended 1/31/2007

Line	Particulars	Unit	Amount
1	(1) Total cost difference from actual adjustment used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>6,652.22</u> Case No. 2005-00545
2	Less: Dollars amount resulting from the AA of <u>0.6751</u> \$/MCF as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of <u>8,717</u>		
3	MCF during the 12 month period the AA was in effect.	\$	<u>5,884.85</u>
4	Equals: Balance Adjustment for the AA.	\$	<u>767.37</u>
5	(3) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
6	Less: Dollar amount resulting from the RA of <u>-</u> \$/MCF as used to compute the OCR in effect four quarters prior to the effective GCR times the sales of <u>101,343</u> MCF		
7	during the 12 month period the RA was in effect.	\$	<u>-</u>
8	Equals: Balance Adjustment for the RA.	\$	<u>-</u>
9	(3) Total Balance Adjustment used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	<u>-</u>
10	Less: Dollar amount resulting from the BA of <u>-</u> \$/MCF four quarters prior to the effective date of the currently effective GCR times the sales of <u>101,343</u> MCF during the 12 month		
11	period the BA was in effect.	\$	<u>-</u>
12	Equals: Balance Adjustment for the BA.	\$	<u>-</u>
13	Total Balance Adjustment Amount (1) + (2) + (3)	\$	<u>767.37</u>
14	Divided By: Sales for 12 months ended 1/31/2007	\$	<u>101,343</u>
15	Equals: Balance Adjustment for the Reporting Period (to Schedule ID).	\$/MCF	<u>0.0076</u>



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