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March 23, 2007

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

RE: Equitable Gas Company  
Case No. 2007-00130  
GCR Filing Proposed to Become  
Effective May 1, 2007

RECEIVED

MAR 27 2007

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

Case No. 2007-00130

Enclosed are an original and five copies of Equitable Gas Company's (Equitable) Gas Cost Recovery (GCR) filing for the calendar quarter ended January 31, 2007, for rates proposed to become effective May 1, 2007. Also included are an original and five copies of One Hundred Eighteenth Revised Sheet No. 2 and One Hundred Tenth 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.

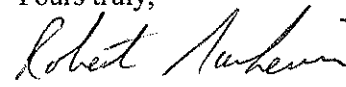
This filing proposes a GCR rate of \$11.2259 per Mcf of sales, an increase of \$1.3511 per Mcf from the current PGA, which was approved in Case No. 2006-00560 effective February 1, 2007.

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 May 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 January 2007. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended January 2007.

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

Yours truly,

  
Robert M. Narkevic  
Manager, Rates

Enclosures

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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

All Mcf	<u>Base Rate</u> \$2.1322	+	<u>Gas Cost Recovery Rate*</u> \$11.2259 per MCF	=	<u>Total Rate</u> \$13.3581	(I)
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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.

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ISSUED: March 23, 2007

D. L. Frutchey  
Senior Vice President

EFFECTIVE: May 1, 2007

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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)	11.5215	(I)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	(0.4867)	(I)
Balance Adjustment (BA)	0.1911	(I)
Total Gas Cost Recovery Rate per Mcf	11.2259	(I)

(I) Indicated Increase.

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ISSUED: March 23, 2007

D. L. Frutchey  
Senior Vice President

EFFECTIVE: May 1, 2007

Equitable Gas Company  
Kentucky Division

Summary of Gas Cost Recovery Rate  
Proposed to Become Effective for the  
Period May 1, 2007 through July 31, 2007

Line No.	<u>Units</u> (1)	<u>Amount</u> (2)	
<u>GCR Components</u>			
1	\$/Mcf	11.5215	
2	\$/Mcf	0.0000	
3	\$/Mcf	(0.4867)	
4	\$/Mcf	0.1911	
5	\$/Mcf	<u>11.2259</u>	
			(EGC + RA + ACA + BA)
 <u>Expected Gas Cost Calculation (EGC)</u>			
6	\$	2,479,436	(a)
7	Mcf	215,201	(b)
8	\$/Mcf	<u>11.5215</u>	
			(Line 6 ÷ Line 7)
 <u>Supplier Refund Adjustment Summary</u>			
9	\$/Mcf	0.0000	(c)
10	\$/Mcf	0.0000	(d)
11	\$/Mcf	0.0000	(e)
12	\$/Mcf	0.0000	(f)
13	\$/Mcf	<u>0.0000</u>	
 <u>Actual Cost Adjustment Summary</u>			
14	\$/Mcf	(0.2801)	(g)
15	\$/Mcf	(0.2217)	(d)
16	\$/Mcf	0.0826	(e)
17	\$/Mcf	(0.0675)	(f)
18	\$/Mcf	<u>(0.4867)</u>	
 <u>Balance Adjustment Summary</u>			
19	\$/Mcf	0.0718	(h)
20	\$/Mcf	(0.0357)	(d)
21	\$/Mcf	0.0514	(e)
22	\$/Mcf	0.1036	(f)
23	\$/Mcf	<u>0.1911</u>	

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during November 2006 through January 2007.

(d) As approved in Case No. 2006-00560.

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

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

(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 January 2007 At Supplier  
Costs Estimated to Become Effective May 1, 2007

	<u>Purchases</u> (1) Mcf	<u>Purchases</u> (2) Dth	<u>Average Rate</u> (3) \$/Dth (a)	<u>Annual Cost</u> (4) \$ (2) x (3)
<u>PURCHASES</u>				
1 February 2006	37,470	47,563	9.0266	429,332
2 March	36,263	46,212	9.0266	417,137
3 April	21,288	27,595	9.0266	249,089
4 May	9,159	11,783	9.0266	106,360
5 June	6,945	8,918	9.0266	80,499
6 July	4,128	5,365	9.0266	48,428
7 August	3,930	5,042	9.0266	45,512
8 September	3,510	4,493	9.0266	40,557
9 October	6,680	8,550	9.0266	77,177
10 November	18,214	23,130	9.0266	208,785
11 December	29,501	37,477	9.0266	338,290
12 January 2007	38,113	48,553	9.0266	438,269
13 Total	<u>215,201</u>	<u>274,681</u>	<u>-</u>	<u>2,479,436</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	February 2006	37,470
2	March	36,263
3	April	21,288
4	May	9,159
5	June	6,945
6	July	4,128
7	August	3,930
8	September	3,510
9	October	6,680
10	November	18,214
11	December	29,501
12	January 2007	38,113
13	Total	<u>215,201</u>

Equitable Gas Company  
Kentucky Division

Calculation of Actual Cost Adjustment for the Period  
November 2006 through January 2007

<u>Description</u>	<u>Unit</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>Total</u>
	(1)	(2)	(3)	(4)	(5)
1 Supply Volume Per Invoice	Dth	23,130	37,477	48,553	109,160
2 Supply Cost Per Books	\$	160,071	446,129	310,792	916,992
3 Sales Volume	Mcf	18,214	29,501	38,113	85,828
4 EGC Rate in Effect (a)	\$/Mcf	11.3864	11.3864	11.3864	
5 EGC Revenue (Line 3 x Line 4)	\$	207,396	335,911	433,966	977,273
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	47,325	(110,218)	123,174	60,281
7 Total Current Quarter Actual Cost to be included in rates					60,281
8 Sales for the 12 Months Ended January 2007					215,201
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					(0.2801)

(a) Approved in Case No. 2006-00421.

Equitable Gas Company  
Kentucky Division

Calculation of Balancing Adjustment for  
Over/(Under) Recoveries of Gas Cost Incurred  
During the Period February 2006 through January 2007

	<u>Sales</u>	<u>ACA</u> <u>Rate</u>	<u>ACA</u> <u>Recovery</u>	<u>Over/(Under)</u> <u>Collection</u> <u>Balance</u>
	(1)	(2)	(3)	(4)
	Mcf	\$/Mcf	\$ (1) x (2)	\$
Balance Approved by the Commission in Case No. 2006-00004				(104,420)
<u>Actual</u>				
February 2006	37,470	0.4134	15,490	(88,930)
March	36,263	0.4134	14,991	(73,939)
April	21,288	0.4134	8,800	(65,139)
May	9,159	0.4134	3,786	(61,353)
June	6,945	0.4134	2,871	(58,482)
July	4,128	0.4134	1,707	(56,775)
August	3,930	0.4134	1,625	(55,150)
September	3,510	0.4134	1,451	(53,699)
October	6,680	0.4134	2,761	(50,938)
November	18,214	0.4134	7,530	(43,408)
December	29,501	0.4134	12,196	(31,212)
January 2007	38,113	0.4134	15,756	(15,456)
Total	<u>215,201</u>		<u>88,964</u>	
Estimated Annual Sales				215,201 Mcf
Balancing Adjustment (\$15,456 ÷ 215,201 Mcf)				\$0.0718 /Mcf



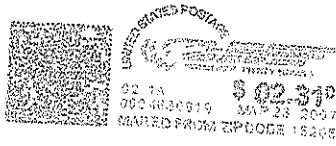
Equitable Gas Company  
Kentucky Division

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	12.0070	9.8748	11.2259	1.3511	13.3581

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

(b) Rate approved by the Commission at Case No. 2006-00560.



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*Delivering Everyday Excellence™*

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A Division of EQUITABLE RESOURCES

