



Ernie Fletcher  
Governor

Mark David Goss  
Chairman

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

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

John W. Clay  
Commissioner

Timothy J. LeDonne  
Commissioner  
Department of Public Protection

May 30, 2007

Stephen G. Jenkins  
Manager  
Belfry Gas, Inc.  
P. O. Box 155  
Allen, KY 41601-0155

RE: Case No. 2007-00210  
Belfry Gas, Inc.  
(Purchased Gas Adjustment)

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received May 30, 2007 and has been assigned Case No. 2007-00210. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact Dawn McGee at (502) 564-3940 ext. 243.

Sincerely,

Beth O'Donnell  
Executive Director

BOD/tw

2007-210

**BELFRY GAS COMPANY, INC.**

Post Office Box 504  
Allen, KY 41601  
(606) 874-2846

May 29, 2007

Public Service Commission  
Attn: Beth O'Donnell  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

RECEIVED

MAY 30 2007

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell:

Please find enclosed Belfry Gas Company's PGA for July 1, 2007, thru October 1, 2007.

If you have any further questions, please feel free to contact me at the above address or telephone number.

Sincerely,

*Stephen G. Jenkins*

Stephen G. Jenkins, Manager  
Belfry Gas Company, Inc.

Enclosure

BELFRY GAS COMPANY, INC.

QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

Date Filed:

MAY 29, 2007

Date Rates to be Effective:

JULY 1, 2007

Reporting Period is Calendar Quarter Ended:

MARCH 31, 2007

SCHEDULE I  
GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 9,5040
+ Refund Adjustment (RA)	\$/Mcf	0
+ Actual Adjustment (AA)	\$/Mcf	(.1092)
+ Balance Adjustment (BA)	\$/Mcf	0
<u>= Gas Cost Recovery Rate (GCR)</u>	\$/Mcf	<u>\$ 9,3948</u>

GCR to be effective for service rendered from JULY 1, 2007 to SEPT, 30, 2007

<b>A.</b>	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	422,234
	+ Sales for the 12 months ended <u>MARCH 31, 2007</u>	Mcf	44,427
	<u>= Expected Gas Cost (EGC)</u>	\$/Mcf	<u>9,5040</u>
<b>B.</b>	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	0
	+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	<u>= Refund Adjustment (RA)</u>	\$/Mcf	<u>0</u>
<b>C.</b>	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	(.1743)
	+ Previous Quarter Reported Actual Adjustment	\$/Mcf	.0546
	+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	.0109
	+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0004)
	<u>= Actual Adjustment (AA)</u>	\$/Mcf	<u>(.1092)</u>
<b>D.</b>	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	0
	+ Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	<u>= Balance Adjustment (BA)</u>	\$/Mcf	<u>0</u>

SCHEDULE II  
EXPECTED GAS COST

Actual\* Mcf Purchases for 12 months ended MARCH 31, 2007

(1) <u>Supplier</u>	(2) <u>Dth</u>	(3) Btu <u>Conversion Factor</u>	(4) <u>Mcf</u>	(5)** <u>Rate</u>	(6) <u>(4)x(5) Cost</u>
KINHAG DEVELOPMENT COMPANY, LLC	37,023	1.20	44,427	9.5040	\$ 422,234

<u>Totals</u>	<u>37,023</u>		<u>44,427</u>		<u>\$ 422,234</u>
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Line loss for 12 months ended MARCH 31, 2007 is 1.1795% based on purchases of 44,427 Mcf and sales of 43,903 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	422,234
+ Mcf Purchases (4)	Mcf	44,427
= Average Expected Cost Per Mcf Purchased	\$/Mcf	9.5040
x Allowable Mcf purchases (must not exceed Mcf sales + .95)	Mcf	44,427
= Total Expected Gas Cost (to Schedule IA.)	\$	422,234

\*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 MARCH 31, 2007

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	0
<u>+ Interest</u>	\$	<u>0</u>
= Refund Adjustment including interest	\$	0
<u>+ Sales for 12 months ended</u>	Mcf	<u>0</u>
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	0

SCHEDULE IV  
ACTUAL ADJUSTMENT

For the 3 month period ended MARCH 31, 2007

<u>Particulars</u>	<u>Unit</u>	<u>Month 1 (JAN )</u>	<u>Month 2 (FEB )</u>	<u>Month 3 (MAR )</u>
Total Supply Volumes Purchased	Mcf	5907	10,270	6662
Total Cost of Volumes Purchased	\$	50,753	88,240	57,240
+ Total Sales (may not be less than 95% of supply volumes)	Mcf	5752	10,270	6642
* Unit Cost of Gas	\$/Mcf	8.8235	8.5920	8.6179
- EGC in effect for month	\$/Mcf	8.9959	8.9959	8.9959
= Difference [(Over-)/Under-Recovery]	\$/Mcf	(.1724)	(.4039)	(.3780)
x Actual sales during month	Mcf	5752	10270	6642
= Monthly cost difference	\$	(991.6448)	(4,148.0530)	(2510.6760)

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	(7,650.37)
+ Sales for 12 months ended <u>MARCH 31, 2007</u>	Mcf	<u>43,903</u>
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	(.1743)





**KINHAG DEVELOPMENT COMPANY, LLC**

P. O. BOX 155  
ALLEN, KY 41601

May 22, 2007

Belfry Gas Company, Inc.  
P.O. Box 504  
Allen, KY 41601

RE: Gas Purchase Contract

Gentlemen:

This is to notify you that there will be a gas price adjustment effective July 1, 2007. Your company will be charged a cost of \$9.5040 per MCF delivered. This amount is calculated based on the terms of the contract between Belfry Gas Company, Inc., and Kinhag Development Company, LLC, and the most current FERC Index as of May 16, 2007. Enclosed is a copy of the NYMEX summary, with the Index indicated at the bottom.

Sincerely,

A handwritten signature in cursive script, appearing to read "J.W. Finger".

**KIHAG Development Company, LLC**

Enclosure

NYMEX

16 MAY 07 - Settle

Month	Price	Change	Highest	Lowest
June	7.890	+0.026	11.180	1.685
July	8.051	+0.029	11.213	1.517
Aug.	8.169	+0.034	11.253	1.385
Sept.	8.233	+0.037	11.243	1.484
Oct.	8.345	+0.040	13.907	1.406
Nov.	9.010	+0.040	14.338	1.772
Dec.	9.662	+0.037	14.764	1.661
Jan.	9.995	+0.040	15.378	1.639
Feb.	9.980	+0.040	15.427	1.046
Mar.	9.754	+0.040	15.287	1.249
Apr.	8.429	+0.020	11.508	1.418
May	8.306	+0.020	11.158	1.596

Ave. = 8.8187

8.8187 + .28 = 9.0987

ALL TIME HIGH 12.7018

JUNE CRUDE 62.55 -.62

ALL TIME HIGH 77.03

DOW 13,487.53 +103.69

ALL TIME HIGH 13,487.53

NASDAC 2,545.67 +20.38

24 May through 30 May - The Northeast will be warmer than normal. The Southwest will be normal.

INSIDE FERC INDICES FOR MAY

COLUMBIA APPALACHIA = \$7.82

COLUMBIA GULF ONSHORE LA. = \$7.44

BASIS = \$.38

TENN. LA 800 LEG = \$7.42

DOMINION TRANS. (APPAL) = \$8.01