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December 19, 2007

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

RECEIVED

DEC 21 2007

PUBLIC SERVICE  
COMMISSION

RE: Equitable Gas Company  
Case No.  
GCR Filing Proposed to Become  
Effective February 1, 2008

2007-549

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, 2007, for rates proposed to become effective February 1, 2008. Also included are an original and five copies of One Hundred Twenty-First Revised Sheet No. 2 and One Hundred Thirteenth 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 \$10.9626 per Mcf of sales, a decrease of \$0.3127 per Mcf from the current PGA, which was approved in Case No. 2007-00417 effective November 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 February 2008 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 2007. Schedule 3 is a listing by month of Equitable's sales to its customer's for the 12 months ended October 2007.

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 TWENTY-FIRST REVISED SHEET NO. 2  
CANCELING  
ONE HUNDRED TWENTIETH REVISED SHEET NO. 2  
P.S.C.K.Y. NO. 1

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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

	<u>Base Rate</u>	+	<u>Gas Cost Recovery Rate*</u>	=	<u>Total Rate</u>	
All Mcf	\$2.1322		\$10.9626 per MCF		\$13.0948	(D)

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.

(D) Indicates Decrease.

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ISSUED: December 19, 2007

EFFECTIVE: February 1, 2008

D. L. Frutchet  
CHIEF REGULATORY OFFICER, EQUITABLE UTILITIES

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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)	11.5655	(D)
Refund Adjustment (RA)	0.0000	
Actual Cost Adjustment (ACA)	(0.6057)	(D)
Balance Adjustment (BA)	<u>0.0028</u>	(D)
Total Gas Cost Recovery Rate per Mcf	10.9626	(D)

(D) Indicates Decrease.

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ISSUED: December 19, 2007

EFFECTIVE: February 1, 2008

D. L. Frutchey  
CHIEF REGULATORY OFFICER, EQUITABLE UTILITIES

Equitable Gas Company  
Kentucky Division

Summary of Gas Cost Recovery Rate  
Proposed to Become Effective for the  
Period February 1, 2008 through April 30, 2008

Line No.	Units (1)	Amount (2)
<u>GCR Components</u>		
1	Expected Gas Cost (EGC)	\$/Mcf 11.5655
2	Supplier Refund (RA)	\$/Mcf 0.0000
3	Actual Cost Adjustment (ACA)	\$/Mcf (0.6057)
4	Balance Adjustment (BA)	\$/Mcf <u>0.0028</u>
5	Gas Cost Recovery Rate (EGC + RA + ACA + BA)	\$/Mcf <u><u>10.9626</u></u>
<u>Expected Gas Cost Calculation (EGC)</u>		
6	Total Expected Cost of Gas	\$ 2,552,181 (a)
7	Total Annual Sales	Mcf <u>220,673 (b)</u>
8	Expected Gas Cost Rate (EGC) (Line 6 ÷ Line 7)	\$/Mcf <u><u>11.5655</u></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><u>0.0000</u></u>
<u>Actual Cost Adjustment Summary</u>		
14	Current Quarter Adjustment	\$/Mcf (0.1399) (g)
15	Previous Quarter Adjustment	\$/Mcf 0.0317 (d)
16	2nd Previous Quarter Adjustment	\$/Mcf (0.2174) (e)
17	3rd Previous Quarter Adjustment	\$/Mcf (0.2801) (f)
18	Actual Cost Adjustment (ACA)	\$/Mcf <u><u>(0.6057)</u></u>
<u>Balance Adjustment Summary</u>		
19	Current Quarter Adjustment	\$/Mcf 0.0007 (h)
20	Previous Quarter Adjustment	\$/Mcf (0.0019) (d)
21	2nd Previous Quarter Adjustment	\$/Mcf (0.0678) (e)
22	3rd Previous Quarter Adjustment	\$/Mcf 0.0718 (f)
23	Balance Adjustment (BA)	\$/Mcf <u><u>0.0028</u></u>

(a) See Schedule 2.

(b) See Schedule 3.

(c) No supplier refunds were received during August 2007 through October 2007.

(d) As approved in Case No. 2007-00417.

(e) As approved in Case No. 2007-00261.

(f) As approved in Case No. 2007-00130.

(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 2007 At Supplier  
Costs Estimated to Become Effective February 1, 2008

	<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 2006	18,214	23,130	9.1094	210,700
2 December	29,501	37,477	9.1094	341,393
3 January 2007	38,113	48,553	9.1094	442,289
4 February	47,685	60,697	9.1094	552,913
5 March	39,473	49,620	9.1094	452,008
6 April	18,007	22,744	9.1094	207,184
7 May	8,785	11,389	9.1094	103,747
8 June	5,175	6,612	9.1094	60,231
9 July	4,313	5,468	9.1094	49,810
10 August	4,015	5,111	9.1094	46,558
11 September	3,299	4,140	9.1094	37,713
12 October	4,094	5,229	9.1094	47,633
13 Total	<u>220,673</u>	<u>280,170</u>	<u>-</u>	<u>2,552,181</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.

Equitable Gas Company  
Kentucky Division

## Summary of Sales

<u>Line</u> <u>No.</u>	<u>Month</u>	<u>Sales</u> (1) Mcf
1	November 2006	18,214
2	December	29,501
3	January 2007	38,113
4	February	47,685
5	March	39,473
6	April	18,007
7	May	8,785
8	June	5,175
9	July	4,313
10	August	4,015
11	September	3,299
12	October	4,094
13	Total	<u>220,673</u>

Equitable Gas Company  
Kentucky Division

Calculation of Actual Cost Adjustment for the Period  
August 2007 through October 2007

<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	5,111	4,140	5,229	14,480
2 Supply Cost Per Books	\$	14,533	40,092	52,857	107,483
3 Sales Volume	Mcf	4,015	3,299	4,094	11,407
4 EGC Rate in Effect (a)	\$/Mcf	12.128	12.128	12.128	
5 EGC Revenue (Line 3 x Line 4)	\$	48,691	40,010	49,646	138,347
6 Over/(Under) Recovery (Line 5 - Line 2)	\$	34,158	(82)	(3,211)	30,864
7 Total Current Quarter Actual Cost to be included in rates					30,864
8 Sales for the 12 Months Ended October 2007					220,673
9 Current Quarter Actual Cost Adjustment (ACA) (Line 7 ÷ Line 8)					(0.1399)

(a) Approved in Case No. 2007-00261.

Equitable Gas Company  
Kentucky Division

Calculation of Balancing Adjustment for  
Over/(Under) Recoveries of Gas Cost Incurred  
During the Period November 2006 through October 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. 2006-00319				(18,371)
<u>Actual</u>				
November 2006	18,214	0.0826	1,505	(16,867)
December	29,501	0.0826	2,437	(14,430)
January 2007	38,113	0.0826	3,148	(11,282)
February	47,685	0.0826	3,939	(7,343)
March	39,473	0.0826	3,260	(4,083)
April	18,007	0.0826	1,487	(2,595)
May	8,785	0.0826	726	(1,870)
June	5,175	0.0826	427	(1,442)
July	4,313	0.0826	356	(1,086)
August	4,015	0.0826	332	(755)
September	3,299	0.0826	272	(482)
October	4,094	0.0826	338	(144)
Total	<u>220,673</u>		<u>18,228</u>	
Estimated Annual Sales				220,673 Mcf
Balancing Adjustment (\$417 ÷ 223,386 Mcf)				\$0.0007 /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	13.4075	11.2753	10.9626	(0.3127)	13.0948

- (a) Non-Gas Rate approved by the Commission at Case No. 2003-00411.  
 (b) Rate approved by the Commission at Case No. 2007-00417.