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Martin Gas, Inc.
P. O. Box 783
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September 26, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2008-00312
Martin Gas, Inc.

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on September 26, 2008.

A handwritten signature in cursive script, reading "Stephanie Stumbo".

Executive Director

SS/ke
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF MARTIN) CASE NO. 2008-00312
GAS, INC.)

ORDER

On September 30, 1991, in Case No. 1990-00402, the Commission approved certain adjusted rates for Martin Gas, Inc. ("Martin").¹ In November 2004, Martin proposed, and the Commission approved, changes to its tariff that included, among other items, changes to its Gas Cost Adjustment clause ("GCA"). Those changes updated the methodology of calculating the components of the GCA. This is Martin's first filing since those changes were approved.

On August 4, 2008, Martin filed two separate GCAs, one to be effective January 1, 2008 and the other to be effective March 1, 2008.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. The rates proposed by Martin should be denied.
2. Martin's notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.

¹ Case No. 1990-00402, Application of Martin Gas, Inc. for Authority to Adjust Rates and to Extend Current Surcharge, Order dated September 30, 1991.

3. Martin's notice sets out an Expected Gas Cost ("EGC") of \$5.003 per Mcf. Martin's current supply contract with Clean Gas prices the natural gas purchased by Martin at \$5.00 per Mcf. Staff has recalculated the EGC based on \$5.00 per Mcf. The revised EGC is \$5.0064, which is a decrease of \$.1122 per Mcf from its prior EGC of \$5.1186.

4. Martin's notice sets out no Refund Adjustment ("RA") for the current quarter and no total RA, which is no change from the prior total RA.

5. Martin's notice sets out a current quarter Actual Adjustment ("AA") of \$.0006 per Mcf for the period June 2007 through August 2007 and \$.0051 per Mcf for the period September 2007 through November 2007. Martin's GCA clause in its tariff only allows Martin to recover costs for the reporting period ending approximately 60 days prior to the filing date; therefore, it can only recover costs for the three-month period ending June 30, 2008. Staff has recalculated the current quarter AA as \$.0001 per Mcf, which is an increase of \$.0001 per Mcf from its previous total AA.

6. Martin's notice sets out no Balance Adjustment.

7. Martin's GCA is \$5.0065 per Mcf, which is a decrease of \$.1121 per Mcf from its previous rate of \$5.1186.

8. Martin's proposed effective dates would constitute retroactive rate-making which is prohibited.²

9. The rates in Appendix A to this Order are fair, just, and reasonable, and should be approved pursuant to Martin's tariff for billing for service rendered by Martin

² KRS 278.180.

on and after October 1, 2008. Staff's recalculated components are attached as Appendix B.

IT IS THEREFORE ORDERED that:

1. Martin's proposed rates are denied.
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after October 1, 2008.
3. Within 20 days of the date of this Order, Martin shall file with the Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26th day of September, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00312 DATED SEPTEMBER 26, 2008

The following rates and charges are prescribed for the customers served by Martin Gas, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RETAIL RATES:

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First Mcf	\$4.3976	\$5.0065	\$9.4041
Over 1 Mcf	\$4.2808	\$5.0065	\$9.2873
Minimum Bill	\$9.4041		

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00312 DATED SEPTEMBER 26, 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$5.0064
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$0.0001
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$5.0065

to be effective for service rendered from.

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
A. EXPECTED GAS COST CALCULATION		
Total Expected Gas Cost (Sch II)	\$/Mcf	\$200,992.72
/Sales for the 12 months ended	\$/Mcf	40,147.00
Expected Gas Cost	\$/Mcf	\$5.0064
B. REFUND ADJUSTMENT CALCULATION		
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
C. ACTUAL ADJUSTMENT CALCULATION		
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.0001
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0000
=Actual Adjustment (AA)	\$ Mcf	\$0.0001
D. BALANCE ADJUSTMENT CALCULATION		
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II
 EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended June 30, 2008

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Clean Gas			40,174	\$5.003	\$200,992.72
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals	40,174	\$200,992.72
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Line loss for 12 months ended 6/30/08 is based on purchases of 40,174.44
 and sales of 40,147.00 Mcf. 0.07%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$200,992.72
/ Mcf Purchases (4)	40,174	\$5.0030
= Average Expected Cost Per Mcf Purchased		\$5.0030
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	40,174.44	\$200,992.72
= Total Expected Gas Cost (to Schedule IA)		\$200,992.72

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

<u>Particulars</u>	<u>Unit</u>	<u>Apr-08</u>	<u>May-08</u>	<u>Jun-08</u>
Total Supply Volumes Purchased	Mcf	2,534.04	2,205.80	1,283.33
Total Cost of Volumes Purchased	\$	\$12,670.20	\$11,029.00	\$6,416.65
<u>/ Total Sales *</u>	<u>Mcf</u>	<u>2,534.0</u>	<u>2,205.0</u>	<u>1,283.0</u>
= Unit Cost of Gas	\$/Mcf	\$5.0001	\$5.0018	\$5.0013
- EGC in Effect for Month	\$/Mcf	\$5.0000	\$5.0000	\$5.0000
= Difference	\$/Mcf	\$0.0001	\$0.0018	\$0.0013
x Actual Sales during Month	Mcf	2,534.0	2,205.0	1,283.0
= Monthly Cost Difference	\$	\$0.20	\$4.00	\$1.65
Total Cost Difference			\$	\$5.85
<u>/ Sales for 12 months ended</u>			<u>Mcf</u>	<u>40,147.0</u>
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.0001

* May not be less than 95% of supply volume