

Company Name

EAST KENTUCKY UTILITIES

Quarterly Report of Gas Cost
Recovery Rate Calculation

RECEIVED

AUG 08 2008

PUBLIC SERVICE
COMMISSION

Date Filed: August 6, 2008

Case no. 2008-00330

Date Rates to be Effective: 9/1/2008

Reporting Period is Calendar Quarter Ended: May 31, 2008

Revised 02-26-04

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| Component | Unit | Amount |
|--------------------------------|--------|--------|
| Expected Gas Cost (EGC) | \$/Mcf | 9.4642 |
| + Refund Adjustment (RA) | \$/Mcf | 0 |
| + Actual Adjustment (AA) | \$/Mcf | 0.3496 |
| + Balance Adjustment (BA) | \$/Mcf | 0 |
| = Gas Cost Recovery Rate (GCR) | | 9.8138 |

GCR to be effective for service rendered from 9/1/08 to 12/1/08

| <u>A. EXPECTED GAS COST CALCULATION</u> | | Unit | Amount |
|--|---|--------|---------|
| | Total Expected Gas Cost (Schedule II) | \$ | 516,204 |
| ÷ | Sales for the 12 months ended | Mcf | 54,543 |
| = | Expected Gas Cost (EGC) | \$/Mcf | 9.4642 |
| <u>B. REFUND ADJUSTMENT CALCULATION</u> | | Unit | Amount |
| | Supplier Refund Adjustment for Reporting Period (Sch III) | | |
| + | Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| + | Second Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| + | Third Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| = | Refund Adjustment (RA) | \$/Mcf | |
| <u>C. ACTUAL ADJUSTMENT CALCULATION</u> | | Unit | Amount |
| | Actual Adjustment for the Reporting Period (Schedule IV) | \$/Mcf | |
| + | Previous Quarter Reported Actual Adjustment | \$/Mcf | |
| + | Second Previous Quarter Reported Actual Adjustment | \$/Mcf | |
| + | Third Previous Quarter Reported Actual Adjustment | \$/Mcf | |
| = | Actual Adjustment (AA) | \$/Mcf | |
| <u>D. BALANCE ADJUSTMENT CALCULATION</u> | | Unit | Amount |
| | Balance Adjustment for the Reporting Period (Schedule V) | \$/Mcf | |
| + | Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| + | Second Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| + | Third Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| = | Balance Adjustment (BA) | \$/Mcf | |

Revised 02-26-04

SCHEDULE II
EXPECTED GAS COST

Actual * MCF Purchases for 12 months ended May 31, 2008

| (1) Supplier | (2) Dth | (3) BTU Conversion Factor | (4) Mcf | (5)** Rate | (6) -(4) * (5) Cost |
|-------------------------|------------|---------------------------------|------------|---------------|--------------------------------------|
| Quality Natural Gas LLC | | | 61,942 | | 549,767 |

| | | | | | |
|--------|---------------|--|---------------|--|----------------|
| Totals | <u>78,036</u> | | <u>61,942</u> | | <u>549,767</u> |
|--------|---------------|--|---------------|--|----------------|

Line loss for 12 months ended May 31, 2008 is 11.9 % based on purchases of 61,942 Mcf and sales of 54,543 Mcf.

| | Unit | Amount |
|--|--------|-----------|
| Total Expected Cost of Purchases (6) | \$ | |
| ÷ Mcf Purchases (4) | Mcf | |
| = Average Expected Cost Per Mcf Purchased | \$/Mcf | 8.9909 ** |
| x Allowable Mcf Purchases (must not exceed Mcf sales ÷ 95) | Mcf | 57,414 |
| = Total Expected Gas Cost (to Schedule IA) | \$ | 516,204 |

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

**Supplier's tariff sheets or notices are attached (NYMEX futures avg. of 9/08, 10/08 and 11/08 plus 0.37 basis plus \$0.7251/Dth gathering plus 11% fuel.)

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SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended May 31, 2008 (reporting period)

| Particulars | Unit | Month 1 Mar 08 | Month 2 Apr 08 | Month 3 May 08 |
|---|--------|-------------------|-------------------|-------------------|
| Total Supply Volumes Purchased | Mcf | 7,884 | 3,501 | 1,954 |
| Total Cost of Volumes Purchased | \$ | 68,586 | 30,535 | 27,989 |
| + Total Sales (may not be less than 95% of supply volumes) | Mcf | 7,676 | 3,682 | 2,295 |
| = Unit Cost of Gas | \$/Mcf | 8.9351 | 8.2930 | 12.1956 |
| - EGC in effect for month | \$/Mcf | 7.9135 | 7.9135 | 7.9135 |
| = Difference [(over-)/Under-Recovery] | \$/Mcf | 1.0216 | 0.3795 | 4.2821 |
| x Actual sales during month | Mcf | 7,676 | 3,682 | 2,295 |
| = Monthly cost difference | \$ | 7,842 | 1,397 | 9,827 |

| | Unit | Amount |
|---|--------|--------|
| Total cost difference (Month 1 + Month 2 + Month 3) | \$ | 19,066 |
| ÷ Sales for 12 months ended <u>May 31, 2008</u> | Mcf | 54,543 |
| = Actual Adjustment for the Reporting Period (to Schedule IC) | \$/Mcf | 0.3496 |

Revised 02-28-04

Quality Natural Gas, LLC

PO Box 480
Allen, KY 41601
606-874-8041

July 16, 2008

Larry Rich
East Kentucky Utilities
PO Box 408
Prestonsburg, KY 11653

Dear Mr. Rich:

Our current gas sales agreement with East Kentucky Utilities was made verbally and is from month to month

The price due for gas delivered each month is the Inside FERC Columbia Appalachia First of Month rate less twenty percent (20%) per mmbtu. The May 2008 rate was \$9.44 (11.80 * .80). The June 2008 rate is 9.89 (12.36 * .80) and the July 2008 rate is \$10.83 (13.54 * .80).

Please call myself or Darrell Prater if you have any further questions concerning this agreement.

Sincerely,



Patrick G. McNamee

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EAST KENTUCKY UTILITIES, INC.
P.O. BOX 408
PRESTONSBURG, KY 41653

AUG 08 2008
PUBLIC SERVICE
COMMISSION

August 8, 2008

Ms. Stephanie L. Stumbo
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfurt, KY 40602-0615

Re: Gas Cost Recovery Rate
East Kentucky Utilities, Inc.

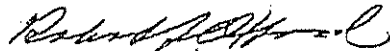
Dear Ms. Stumbo:

On behalf of East Kentucky Utilities, Inc. we are filing for Gas Cost Recovery for the period commencing September 1, 2008. Kentucky Frontier Gas, LLC is operating the Floyd County Gas System for EKL on an interim basis, effective July , 2008.

Enclosed is a Rates and Charges form and related calculations on which we base our request for rate changes.. The cost of gas from our supplier, Quality Natural Gas, LLC, has changed, effective May 1, 2008, from the price stated in the contract with Quality dated May 1, 2006, to the amount stated in the attached letter from Quality, dated July 16, 2008.

We respectfully request a waiver of the thirty (30) day notice requirement for this filing. If you have any questions please call me at 303-422-3400.

Sincerely,
EAST KENTUCKY UTILITIES, INC.



By: Robert J. Oxford, Member
Kentucky Frontier Gas, LLC
303-422-3400

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AUG 08 2008

PUBLIC SERVICE
COMMISSION

EAST KENTUCKY UTILITIES INC.
(Name of Utility)

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY NO. _____

100th SHEET NO. 1

CANCELLING P.S.C. KY. NO. _____

99th SHEET NO. 1

RATES AND CHARGES

RATE SCHEDULE: APPLICABLE IN ALL TERRITORY SERVED BY COMPANY

AVAILABILITY OF SERVICE: FOR ALL RESIDENTIAL & COMMERCIAL PURPOSES

| RATES: Monthly | Base Rate | Gas Cost Recovery Rate | Total Rate |
|---------------------|-----------|---------------------------|------------|
| First Mcf | \$10.00 | \$ 9.8138 | \$19.8138 |
| All Over 1 Mcf | \$ 5.2553 | \$ 9.8138 | \$15.0691 |
| <u>Minimum Bill</u> | \$19.8138 | | |

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE September 1, 2008
Month / Date / Year

ISSUED BY _____
(Signature of Officer)

TITLE _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO _____ DATED _____

Facsimile Cover Sheet

RECEIVED

To: Stephanie Stumbo
Company: KY PSC
Phone:
Fax: 502-564-3460

AUG 08 2008
PUBLIC SERVICE
COMMISSION

From: Robert Oxford
Company: Kentucky Frontier
Phone: 303-422-3400
Fax: 303-422-6105

Date: 8-7-08
Pages including this ~~7~~ 8
cover page:

Comments. Enclosed are documents relating to a gas cost recovery filing that we are making on behalf of East Kentucky Utilities. Originals of these documents, along with additional information are being mailed to you, today.