

Auxier Road Gas Company, Inc.

Box 785
Prestonsburg, Kentucky 41653

Sallye Branham
President

Office (606) 886-2314
Fax (606) 889-9995

OCTOBER 30, 2009

RECEIVED

NOV 3 2009

PUBLIC SERVICE
COMMISSION

2009-00434

Jeff Derousen
Executive Director
Public Service Commission
P O Box 615
Frankfort, KY 40602

Re: Gas Cost Recovery

Dear Mr. Derousen:

Please find enclosed our gas cost recovery to be effective December 1, 2009. Included in this gcr was a few notes and adjustments.

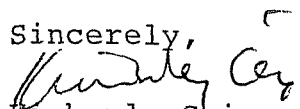
We noted in Schedule II (Expected gas cost) that we included in Purchases 2,940 MCF's that was a nonrecurring event which was due to the County breaking our gas line. We lost an estimated 2,940 MCF'S.

Also, we included a revised AA for the month of July. We had mistakenly put in purchases of 5,209 MCF'S which should have been 3,624 MCF'S, which results in a AA of .015 instead of (.0470).

Auxier request not to put the current month AA into effect for two months and to calculate a new AA on a quarterly basis going forward due to problems with Constellation Energy's billing methods.

Lantly, we would like to request a waiver of the 30-day notice requirement to a 20-day notice requirement due to the extra time spent on this gcr.

Sincerely,


Kimberly Crisp

Auxier Road Gas

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed:

October 30, 2009

Date Rates to be Effective:

December 1, 2009

Reporting Period is Calendar Quarter Ended:

September 30, 2009

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| <u>Component</u> | <u>Unit</u> | <u>Amount</u> |
|--------------------------------|-------------|---------------|
| Expected Gas Cost (EGC) | \$/Mcf | 6.6842 |
| + Refund Adjustment (RA) | \$/Mcf | |
| + Actual Adjustment (AA) | \$/Mcf | (2.3597) |
| + Balance Adjustment (BA) | \$/Mcf | .0068 |
| = Gas Cost Recovery Rate (GCR) | \$/Mcf | <u>4.3313</u> |

GCR to be effective for service rendered from Dec 1, 2009 to Dec 31, 2009.

| | | |
|--|--------|----------------|
| A. <u>EXPECTED GAS COST CALCULATION</u> | | |
| Total Expected Gas Cost (Schedule II) | \$ | 671944 |
| + Sales for the 12 months ended <u>Sept 30, 2009</u> | Mcf | <u>100527</u> |
| = Expected Gas Cost (EGC) | \$/Mcf | <u>6.6842</u> |
| B. <u>REFUND ADJUSTMENT CALCULATION</u> | | |
| Supplier Refund Adjustment for Reporting Period (Sch. III) | \$/Mcf | |
| + Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| + Second Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| + Third Previous Quarter Supplier Refund Adjustment | \$/Mcf | |
| = Refund Adjustment (RA) | \$/Mcf | |
| C. <u>ACTUAL ADJUSTMENT CALCULATION</u> | | |
| Actual Adjustment for the Reporting Period (Schedule IV) | \$/Mcf | (.10072) |
| + Previous Quarter Reported Actual Adjustment | \$/Mcf | .015 |
| + Second Previous Quarter Reported Actual Adjustment | \$/Mcf | (.0773) |
| + Third Previous Quarter Reported Actual Adjustment | \$/Mcf | (.0003) |
| = Actual Adjustment (AA) | \$/Mcf | <u>(.1628)</u> |
| D. <u>BALANCE ADJUSTMENT CALCULATION</u> | | |
| Balance Adjustment for the Reporting Period (Schedule V) | \$/Mcf | 1.0098 |
| + Previous Quarter Reported Balance Adjustment | \$/Mcf | (.0015) |
| + Second Previous Quarter Reported Balance Adjustment | \$/Mcf | (.0015) |
| + Third Previous Quarter Reported Balance Adjustment | \$/Mcf | |
| = Balance Adjustment (BA) | \$/Mcf | <u>.0068</u> |

SCHEDULE II
EXPECTED GAS COST

Actual* Mcf Purchases for 12 months ended September 30, 2009

| (1) Supplier | (2) Dth | (3) Btu Conversion Factor | (4) Mcf | (5)** Rate | (6) (4)x(5) Cost |
|---------------------------------|------------|---------------------------------|---------------|---------------|------------------------|
| Constellation | | | 31909 | 7.83 | 249847 |
| Constellation | | | 31909 | 7.58 | 241870 |
| AEI-KAOS | | | 3338 | 3.10 | 10348 |
| Chesapeake Energy | | | 26069 | 4.52 | 117832 |
| Norris Exploration | | | 9019 | 4.38 | 39503 |
| Chesapeake Energy (underbilled) | | | 5545 | 4.52 | 25063 |
| Totals | | | <u>107789</u> | | <u>684463</u> |

Line loss for 12 months ended Sept. 30, 2009 is 6.7 % based on purchases of 107789 Mcf and sales of 100527 Mcf.

| | Unit | Amount |
|---|--------|--------|
| Total Expected Cost of Purchases (6) | \$ | 684463 |
| + Mcf Purchases (4) | Mcf | 107789 |
| = Average Expected Cost Per Mcf Purchased | \$/Mcf | 6.3500 |
| x Allowable Mcf purchases (must not exceed Mcf sales + .95) | Mcf | 105818 |
| = Total Expected Gas Cost (to Schedule IA.) | \$ | 671944 |

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

**Supplier's tariff sheets or notices are attached.

NOTE: included in purchases is 2990 mcf's that was due to a line break by the county.
 6/9/09 - 1470 mcf's
 8/19/09 - 1470 mcf's
2940

SCHEDULE IV
ACTUAL ADJUSTMENT

For the 3 month period ended Sept 30, 2009

| <u>Particulars</u> | <u>Unit</u> | Month 1 (Sept) | Month 2 () | Month 3 () |
|--|---------------|-------------------|----------------|----------------|
| Total Supply Volumes Purchased | Mcf | 3754 | | |
| Total Cost of Volumes Purchased | \$ | 12204 | | |
| + Total Sales (may not be less than 95% of supply volumes) | Mcf | 3766 | | |
| <u>= Unit Cost of Gas</u> | <u>\$/Mcf</u> | <u>3.2406</u> | | |
| <u>- EGC in effect for month</u> | <u>\$/Mcf</u> | <u>5.8177</u> | | |
| = Difference [(Over-)/Under-Recovery] | \$/Mcf | (2.5771) | | |
| <u>x Actual sales during month</u> | Mcf | <u>3766</u> | | |
| = Monthly cost difference | \$ | (9705) | | |

| | <u>Unit</u> | <u>Amount</u> |
|---|-------------|---------------|
| Total cost difference (Month 1 + Month 2 + Month 3) | \$ | (9705) |
| ÷ Sales for 12 months ended <u>Sept 30, 2009</u> | Mcf | <u>3766</u> |
| = Actual Adjustment for the Reporting Period (to Schedule IC.) | \$/Mcf | (2.58) |

SCHEDULE V
BALANCE ADJUSTMENT

For the 3 month period ended _____

| <u>Particulars</u> | <u>Unit</u> | <u>Amount</u> |
|--|------------------------|---------------------------|
| (1) Total Cost Difference used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR. Less: Dollar amount resulting from the AA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the AA was in effect. Equals: Balance Adjustment for the AA. | \$ \$ \$ | _____ |
| (2) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR. Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the RA was in effect. Equals: Balance Adjustment for the RA. | \$ \$ \$ | _____ |
| (3) Total Balance Adjustment used to compute BA of the GCR effective four quarters prior to the effective date of the currently effective GCR. Less: Dollar amount resulting from the BA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the BA was in effect. Equals: Balance Adjustment for the BA. | \$ \$ \$ | _____ |
| Total Balance Adjustment Amount (1) + (2) + (3) | \$ | |
| + Sales for 12 months ended _____ | Mcf | _____ |
| = Balance Adjustment for the Reporting Period (to Schedule ID.) | \$/Mcf | |

SCHEDULE IV
 ACTUAL ADJUSTMENT

For the 3 month period ended July 31, 2009

| Particulars | Unit | Month 1 (July) | Month 2 () | Month 3 () |
|--|--------|-------------------|----------------|----------------|
| Total Supply Volumes Purchased | Mcf | 3624 | | |
| Total Cost of Volumes Purchased | \$ | 23215 | | |
| + Total Sales (may not be less than 95% of supply volumes) | Mcf | 3633 | | |
| = Unit Cost of Gas | \$/Mcf | 6.3900 | | |
| - EGC in effect for month | \$/Mcf | 5.9843 | | |
| = Difference [(Over-)/Under-Recovery] | \$/Mcf | .4057 | | |
| x Actual sales during month | Mcf | 3633 | | |
| = Monthly cost difference | \$ | 1474 | | |

| | Unit | Amount |
|---|--------|--------|
| Total cost difference (Month 1 + Month 2 + Month 3) | \$ | 1474 |
| ÷ Sales for 12 months ended <u>July 31, 2009</u> | Mcf | 100546 |
| = Actual Adjustment for the Reporting Period (to Schedule IC.) | \$/Mcf | .015 |

Constellation NewEnergy - Gas Division

9960 Corporate Campus Dr. Suite 2000, Louisville, KY 40223
 Phone: (502) 426-4500 Fax: (502) 426-8800

Sally Branham
 606-886-2314
 606/889-9995

**AUXIER ROAD GAS COMPANY
 Estimated Citygate Prices if Bought Monthly**

| Month | (A) NYMEX | (B) Basis | (C) TCO Fuel | (D) TCO Transportation | (E) Auxier Road Gas Citygate (\$/Dth) (A+B)/(C+D) | (F) Estimated Consumption Dth <small>(Used 2008 Consumption)</small> | (G) Total Cost Monthly (E*F) |
|--------|--------------|--------------|--------------------|------------------------------|--|--|---------------------------------------|
| Dec-09 | \$5.3160 | \$0.7100 | 0.97871 | \$0.2098 | \$6.3669 | 15,765 | \$100,373.93 |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

15,765 \$100,373.93

WACOG = \$6.37

1.230
 = 7.83

CHESAPEAKE APPALACHIA, LLC
 777 N.W. Grand Boulevard
 P. O. Box 18496
 Oklahoma City, OK 73154-0496

DATE 10/22/09
 BUS PERIOD Sept. 2009

CLIENT NO 884265
 CONTRACT NO SSE003
 INVOICE NUMBER: SSE0030910
 VOUCHER NUMBER: 00910534
 ARTESIA INVOICE NUMBER: SSE30910

NAME Auxier Road Gas Company Inc. FAX: 606-889-9995
 ADDRESS P.O. Box 785
 CITY Prestonburg, KY 41653
 ATTN Estill Brannan

| | DTH | BILLING RATE | AMOUNT | DATE |
|-------|-----------------------|--------------|----------|------------|
| 0 * * | TCO Index Plus \$0.66 | \$3.57 | \$670.87 | Sept. 2009 |
| | TCO Index Plus \$0.66 | \$3.57 | \$679.66 | Sept. 2009 |
| | | | | |
| 0 * * | | | | |

1,350.53
 1,350.53

** INVOICE AMOUNT DUE **

AMOUNT DUE ON OR BEFORE November 15, 2009

\$1,350.53

299 MCE's
4.52 rate
1.264

CHESAPEAKE APPALACHIA, LLC

PO BOX 96-0277
 OKLAHOMA CITY, OK 73196-0277

With Your Remittance

pd
10/24/09
chk# 028223

Auxier Road Gas Company, Inc.

Box 785
Prestonsburg, Kentucky 41653

Sallye Branham
President

Office (606) 886-2314
Fax (606) 889-9995

| | <u>BASE RATE</u> | <u>GAS COST REC</u> | <u>TOTAL</u> |
|--------------------------|------------------|---------------------|--------------|
| FIRST MCF (MINIMUM BILL) | 6.36 | 4.3313 | 10.6913 |
| ALL OVER FIRST MCF | 5.0645 | 4.3313 | 9.3958 |