

May 27, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

JUN 01 2010

PUBLIC SERVICE
COMMISSION

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC
dba East Kentucky Utilities, Inc.

Dear Mr. Derouen:

2010-215

On behalf of Kentucky Frontier Gas, LLC dba, East Kentucky Utilities, Inc. (EKU) we are filing for Gas Cost Adjustment for the period commencing July 1, 2010.

Enclosed is a Rates and Charges form and related calculations on which we base our request for rate changes. The cost of gas from EKU's supplier is the Inside FERC Columbia Appalachia First of Month rate times 80%. They also apply a gathering charge of \$0.7251/Dth plus 11% fuel. Copies of invoices from Quality Natural Gas LLC for January, February and March 2010 are enclosed.

If you have any questions, please call me at 303-422-3400.

Sincerely,

KENTUCKY FRONTIER GAS, LLC
dba EAST KENTUCKY UTILITIES, INC.

A handwritten signature in cursive script that reads "Dennis R. Horner".

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

FOR ENTIRE AREA SERVED
Community, Town or City

P.S.C. KY. NO. 103

SHEET NO. 1

East Kentucky Utilities, Inc.
(Name of Utility)

CANCELING P.S. KY. NO. 102

SHEET NO. _____

RATES AND CHARGES

APPLICABLE: Entire area served

AVAILABILITY OF SERVICE: Domestic and commercial use in applicable areas.

A. MONTHLY RATES:

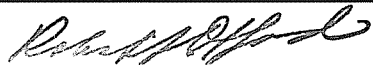
	<u>Base Rate</u>	<u>GCRR</u>	<u>Total</u>
FIRST (1) MCF (MINIMUM BILL)	\$ 10.0000	5.9966	15.9966
OVER 1 MCF	\$ 5.2553	5.9966	11.2519

B. DEPOSITS \$100.00

DATE OF ISSUE May 27, 2010

Month/Date/Year

DATE EFFECTIVE July 1, 2010

ISSUED BY 

(Signature of Officer)

TITLE Member

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMINSSION

IN CASE NO. _____ DATED _____

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost
Recovery Rate Calculation

Date filed:

May 27, 2009

Date Rates to be Effective:

July 1, 2010

Reporting Period Ending:

March 31, 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 6.8529
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.8563)
+ Balance Adjustment (BA)	\$/Mcf	\$ -
= Gas Cost Recovery Rate (GCR)		\$ 5.9966

GCR to be effective for service rendered from April 1, 2010 to June 31, 2010

<u>A</u>	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 397,032.36
/	Sales for the 12 months ended <u>March 31, 2010</u>	Mcf	57,936
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 6.8529
<u>B</u>	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	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</u>	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Sch. IV)	\$/Mcf	\$ 0.1817
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.1942
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.1351)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (1.0971)
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.8563)
<u>D</u>	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. 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	\$ -

East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual *MCF Purchases for 12 months ended March 31, 2010

(1) Supplier	(2) Dth	(3) BTU Conversion Factor	(4) Mcf	(5)** Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			71,983	\$ 6.5103	\$ 468,630.92
					\$ -
Totals			71,983		\$ 468,630.92

Line loss 12 months ended March 31, 2010 is 19.51%*** based on purchases of 71,983 Mcf and sales of 57,936 Mcf.

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 468,631
/ Mcf Purchases (4)	Mcf	71,983
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 6.5103
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	60,985
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 397,032

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

** Supplier's tariff sheets or notices are attached

*** Purchased volumes are excessive and inconsistent with historical averages. KFG is investigating the potential billing errors with the supplier.

East Kentucky Utilities, Inc.

Schedule IV
Actual Adjustment

For the 3 month period ending March 31, 2010

Particulars	Unit	Month		
		1 Jan-10	2 Feb-10	3 Mar-10
Total Supply Volumes Purchased	Mcf	8,064	12,131	7,344
Total Cost of Volumes Purchased	\$	\$ 75,546	\$ 87,010	\$ 48,338
(divide by) Total Sales (not less than 95% of supply)	Mcf	13,632	11,524	7,203
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.5418	\$ 7.5500	\$ 6.7108
(minus) EGC in effect for month	\$/Mcf	\$ 6.1789	\$ 6.1789	\$ 6.1789
(equals) Difference	\$/Mcf	\$ (0.6371)	\$ 1.3711	\$ 0.5319
(times) Actual sales during month	Mcf	13,632	11,217	7,203
(equals) Monthly cost difference	\$	\$ (8,684.76)	\$ 15,380.02	\$ 3,831.38
Total cost difference (divide by) Sales for 12 Months ended March 31, 2010	Unit Mcf			\$ 10,526.64 57,936
(equals) Actual Adjustment for the Reporting Period (plus) Over-recovery component from collections through expired AAs (equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)				\$ 0.1817 -

Quality Natural Gas, LLC

PO Box 480
Allen, KY 41601

606-874-8041 x27
606-874-2203 fax

Attn: Patrick McNamee (mcnamee@kinzerdrilling.com)

Invoice for Natural Gas Sold

Buyer: **Kentucky Frontier Gas, LLC**

PO Box 408

Prestonsburg, KY 41653

606-886-6807
606-889-9196 FAX

Office

Larry Rich

Heather Powers

Margaret Bostow

igsinc@att.net

lrich@kyfrontiergas.com

hpowers@kyfrontiergas.com

mbostow@kyfrontiergas.com

Invoice Date **3/23/2010**

Invoice Number **2010323KFG**

Prod End Date **1/31/2010**

Due Date **4/7/2010**

System	Meter	Period	Mcf	\$/Mcf	Dth	Gross	KWV GATH	KWV FUEL	TOTAL
EAST KY UTILITIES	KWV 39	1/31/2010	6,397.00	6.212	8,210.00	\$ 39,736.40	\$ 5,953.07	\$ 4,911.24	\$ 50,600.71
EAST KY UTILITIES	KWV 39B	1/31/2010	2,888.00	6.132	3,659.00	\$ 17,709.56	\$ 2,653.14	\$ 2,188.84	\$ 22,551.54
EAST KY UTILITIES	KWV 39C	1/31/2010	4,016.00	6.099	5,061.00	\$ 24,495.24	\$ 3,669.73	\$ 3,027.52	\$ 31,192.49
EAST KY UTILITIES	KWV 39C	11/30/2009	(7,319.00)	4.511	(9,222.00)	\$ (33,014.76)	\$ (6,686.87)	\$ (4,080.48)	\$ (43,782.11)
EAST KY UTILITIES	KWV 39D	1/31/2010	1,318.00	5.872	1,599.00	\$ 7,739.16	\$ 1,159.43	\$ 956.53	\$ 9,855.12
EAST KY UTILITIES	KWV 39E	1/31/2010	-	-	-	\$ -	\$ -	\$ -	\$ -
EAST KY UTILITIES	KWV 4m26	1/31/2010	764.00	5.271	832.00	\$ 4,026.88	\$ 603.28	\$ 497.70	\$ 5,127.86

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lrich@kvfrontiergas.com
hpowers@kvfrontiergas.com
mpostow@kvfrontiergas.com

Invoice Date **5/5/2010**
Invoice Number 201055KFG
Prod End Date 2/28/2010
Due Date 5/20/2010

System	Meter	Period	Mcf	\$/Mcf	Dth	Gross	KWV	GATH	KWV FUEL	TOTAL
EAST KY UTILITIES	KWV 39	2/28/2010	4,823.00	5.588	6,097.00	\$ 26,948.74	\$ 4,420.93	\$ 3,330.74	\$	34,700.41
	KWV 39B	2/28/2010	2,629.00	5.600	3,331.00	\$ 14,723.02	\$ 2,415.31	\$ 1,819.71	\$	18,958.04
	KWV 39C	2/28/2010	3,554.00	5.695	4,579.00	\$ 20,239.18	\$ 3,320.23	\$ 2,501.45	\$	26,060.86
	KWV 39D	2/28/2010	447.00	5.359	542.00	\$ 2,395.64	\$ 393.00	\$ 296.10	\$	3,084.74
	KWV 39E	2/28/2010	-	-	-	\$ -	\$ -	\$ -	\$	-
EAST KY UTILITIES	KWV 4m26	2/28/2010	678.00	4.818	739.00	\$ 3,266.38	\$ 535.85	\$ 403.72	\$	4,205.95

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Allen, KY 41601

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Attn: Patrick McNamee (mnamee@kinzerdrilling.com)

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igsinc@all.net
lrich@kyfrontiergas.com
hpowers@kyfrontiergas.com
mbostow@kyfrontiergas.com

Invoice Date 5/21/2010
Invoice Number 2010521KFG
Prod End Date 3/31/2010
Due Date 6/5/2010

System	Meter	Period	Mcf	\$/Mcf	Dth	Gross	KWV GATH	KWV FUEL	TOTAL
EAST KY UTILITIES	KWV 39	3/31/2010	2,779.00	5.056	3,513.00	\$ 14,052.00	\$ 2,547.28	\$ 1,736.76	\$ 18,336.04
EAST KY UTILITIES	KWV 39B	3/31/2010	951.00	5.068	1,205.00	\$ 4,820.00	\$ 873.75	\$ 595.72	\$ 6,289.47
EAST KY UTILITIES	KWV 39C	3/31/2010	2,799.00	5.153	3,606.00	\$ 14,424.00	\$ 2,614.71	\$ 1,782.76	\$ 18,821.47
EAST KY UTILITIES	KWV 39D	3/31/2010	397.00	4.856	482.00	\$ 1,928.00	\$ 349.50	\$ 238.28	\$ 2,515.78
EAST KY UTILITIES	KWV 39E	3/31/2010							
EAST KY UTILITIES	KWV 4m26	3/31/2010	418.00	4.354	455.00	\$ 1,820.00	\$ 329.92	\$ 224.96	\$ 2,374.88