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SEP 23 2010

PUBLIC SERVICE
COMMISSION

September 23, 2010

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

***Re: Case No. 2010-00357 - Application of Chesapeake Appalachia, L.L.C.,
Pursuant to KRS 278.485 and 807 KAR 5:026, for Adjustment of Rates for Gas
Service Provided by Its Farm Tap System***

Dear Mr. Derouen:

Enclosed for filing are one original and eleven (11) copies of the following:

- (1) Chesapeake Appalachia, L.L.C.'s ("Chesapeake's") Motion to Accept Cost Data as Timely; and
- (2) The proposed revisions to Chesapeake Appalachia, L.L.C.'s tariff with an effective date of November 26, 2010.

Please note that the proposed tariff has not been signed by Henry J. Hood, Senior Vice President - Land and Legal & General Counsel of Chesapeake. Unless otherwise instructed by the Public Service Commission of the Commonwealth of Kentucky, a signed tariff will be filed if the proposed tariff is approved and becomes effective.

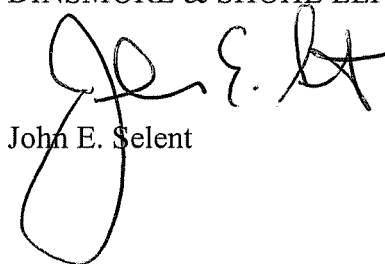
Please file-stamp one copy of each and return it to our courier.

Hon. Jeff R. Derouen
September 23, 2010
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Thank you, and if you have any questions, please call me.

Very truly yours,

DINSMORE & SHOHL LLP

A handwritten signature in black ink, appearing to read "John E. Selent". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

John E. Selent

JES/bmt
Enclosures
cc: Virginia Gregg

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND 807 KAR 5:026, FOR) Case No. 2010-00357
ADJUSTMENT OF RATES FOR GAS)
SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)

CHESAPEAKE APPALACHIA, L.L.C.'S MOTION
TO ACCEPT COST DATA AS TIMELY

Chesapeake Appalachia, L.L.C. ("Chesapeake"), by counsel, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission") to accept the cost data provided with its rate application as timely under 807 KAR 5:026.

807 KAR 5:026, Section 10 provides that: "In special cases for good cause shown the commission may permit deviations" from filing requirements under 807 KAR 5:026. Good cause exists to accept the cost data provided by Chesapeake as timely because Chesapeake attempted to file its rate application on September 3, 2010 but was prevented from doing so because of a statewide furlough, and Chesapeake provided the most current cost data it had available at the time it provided notice to affected customers and filed its rate application. Furthermore, providing additional cost data would be unduly burdensome to Chesapeake and is likely to cause confusion to affected customers.

More specifically, the grounds for this motion are as follows.

1. On August 13, 2010, pursuant to 807 KAR 5:026, Section 9(1)(d), Chesapeake mailed notice to affected customers of its proposed application, pursuant to KRS 278.485 and 807 KAR 5:026, for an adjustment of rates for gas service provided by its farm tap system in the above-

referenced case (the “Application”). As required by the regulation, this notice advised affected customers of a proposed rate of \$8.4899/Mcf. This rate was calculated and based upon cost data provided to Chesapeake by Columbia Gas of Kentucky, Inc., Chesapeake’s service provider, over each of the previous two years. The cost data was current through the end of May 2010, and was the most current information available to Chesapeake when it mailed notice to its affected customers of the proposed rate increase.

2. On the same date, in conjunction with this notice to customers, and as required by 807 KAR 5:026, Section 9(4), a copy of the Application and proposed tariff, with the cost data upon which the rate was based, was made available to affected customers and the public at Chesapeake’s South District Southwest Operating Area Office located at 213 Industrial Road, Debord, Kentucky 41214-8810.

3. On Friday, September 3, 2010, Chesapeake deposited the Application in the Commission’s filing depository along with a proposed tariff with a proposed effective date of November 2, 2010. On that day, however -- and unbeknownst to Chesapeake -- the Commission was not operating due to a statewide furlough. Consequently, the Application was not deemed filed until Tuesday, September 7, 2010, the next available business day.

4. On September 14, 2010, the Commission notified Chesapeake that the Application was deficient for failure to provide cost data which was timely within 90 days of the filing date of the Application. Because Chesapeake’s proposed percentage increase exceeds the percentage change in the price index, but the proposed rate is below the highest prevailing gas rate approved by the Commission, Chesapeake is required to submit its costs to provide service in each of the previous two (2) years and the data must be current within ninety (90) days of the date the proposed tariff is filed. 807 KAR 5:026, Section 9(1)(b).

5. However, 807 KAR 5:026, Section 10 provides that: “In special cases for good cause shown the commission may permit deviations from these rules.”

6. Good cause exists for the Commission to accept as timely the cost data provided in the Application. At the time Chesapeake submitted its rate application, it was operating under the most current cost data it had available to it in providing the proposed rate. Moreover, affected customers have had notice of the proposed rate and the opportunity to review the proposed cost data supporting this rate since August 13, 2010.

7. Because of the notice requirements to customers pursuant to 807 KAR 5:026, Section 9(1)(d) and Chesapeake’s attempted filing of the Application on the date of a statewide furlough, the cost data it provided with the Application was just over 90 days old as of September 7, 2010, the data in which the Application was deemed filed with the Commission.

8. Chesapeake cannot provide its own cost data, and must rely upon a third party to provide it. Because of this, Chesapeake submits that it is unduly burdensome to require it to provide additional cost data under the circumstances.

9. Moreover, requiring additional cost data in support of the proposed rate application will likely require a modification to the proposed rate because of the requirement that the rate be based on cost data over each of the previous two years. Mailing an additional notice to affected customers is likely to cause confusion among customers, and would likewise impose an additional burden upon these same customers by requiring additional inquiries with the Commission.

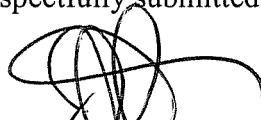
10. The cost data’s lack of timeliness in this instance is *de minimis*. When juxtaposed with the burdensome nature of providing additional cost data and recalculating the proposed rate, as well as the confusion to affected customers that would likely occur if a second notice of proposed

rate change were sent, the Commission should find that good cause exists to accept the cost data filed with the Application as meeting the filing requirements under 807 KAR 5:026, Section 9(1)(b).

11. Moreover, customers who would be affected by the proposed rate change would not otherwise be harmed by accepting the cost data as timely. Affected customers have all been provided notice of the proposed rate increase and have had access to the current cost data since August 13, 2010.

WHEREFORE, Chesapeake Appalachia, L.L.C., in accordance with the foregoing, respectfully moves the Commission to accept the cost data provided with its September 7, 2010 rate application and deem it as timely under 807 KAR 5:026.

Respectfully submitted,

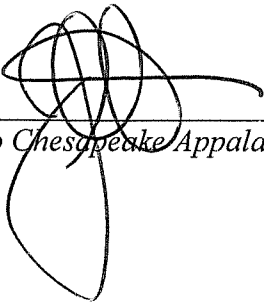


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Counsel to Chesapeake Appalachia, L.L.C.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of the foregoing was served via first-class United States Mail, postage prepaid, on this 23rd day of September, 2010, upon:

Kentucky Attorney General's Office
Office of Rate Intervention
Suite 200
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204



Counsel to Chesapeake Appalachia, L.L.C.

For: Boyd, Floyd, Knott, Letcher,
Magoffin, Perry and Pike Counties

P.S.C. KY No. 1
First Revised Sheet No. 2

Canceling P.S.C. KY No. 1
Original Sheet No. 2

RATES AND CHARGES

Chesapeake Appalachia, L.L.C. will continue the gas service under KRS 278.485 formerly provided by Columbia Natural Resources, Inc. ("CNR") This tariff will become effective upon the transfer of CNR's production properties to Chesapeake Appalachia, L.L.C.

RATE PER UNIT
~~\$4.3292/mcf~~ **\$8.4899/mcf (I)**

All consumers provided the service pursuant to statute will be charged the same rate.

Issued: September 23, 2010

Effective Date: November 26, 2010

Issued by: _____
Henry J. Hood
Senior Vice President - Land and Legal
& General Counsel
Chesapeake Appalachia, L.L.C.

By the Authority of Order of the Public Service Commission
in Case No. 2010-____ dated _____ 2010.