



November 30, 2010

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

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

Dear Mr. Derouen:

On behalf of Kentucky Frontier Gas, LLC dba, East Kentucky Utilities, Inc. (EKU) we are filing for Gas Cost Adjustment for the period commencing January 1, 2011.

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.

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

Sincerely,

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

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

RECEIVED

DEC 01 2010

PUBLIC SERVICE
COMMISSION

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost
Recovery Rate Calculation

Date filed: November 30, 2009

Date Rates to be Effective: January 1, 2011

Reporting Period Ending: September 30, 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 5.7441
+ Refund Adjustment (RA)	\$/Mcf	\$ -
+ Actual Adjustment (AA)	\$/Mcf	\$ (0.3182)
+ Balance Adjustment (BA)	\$/Mcf	\$ -
= Gas Cost Recovery Rate (GCR)		\$ 5.42594

GCR to be effective for service rendered from October 1, 2010 to December 31, 2010

<u>A</u>	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 325,369.10
/	Sales for the 12 months ended <u>September 30, 2010</u>	Mcf	56,644
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.7441
<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	\$ 0.0032
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.0838)
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.4318)
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.1942
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.3182)
<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 September 30, 2010

(1) Supplier	(2) Dth	(3) BTU Conversion Fact	(4) Mcf	(5)** Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			61,041	\$ 5.4569	\$ 333,094.63
					\$ -
Totals			61,041		\$ 333,094.63

Line loss for 12 months ended September, 2010 based on purchases of 61,041
and sales of 56,644 Mcf. 7.20%

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 333,095
/ Mcf Purchases (4)	Mcf	61,041
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 5.4569
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	59,625
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 325,369

** EGC rate is calculated as follows: NYMEX futures for Jan (\$4.2160/Dth),
Feb (\$4.2400/Dth) and Mar (\$4.2070/Dth) = average \$4.2210/Dth x 80% = \$3.3768/Dth
+ \$0.72/Dth (transportation) = \$4.0968/Dth + 11% (fuel charge) = \$4.5474/Dth x 1.2 Dth/Mcf = \$5.4569/Mcf

East Kentucky Utilities, Inc.

Schedule IV
Actual Adjustment

For the 3 month period ending September 30, 2010

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>
		<u>Jul-10</u>	<u>Aug-10</u>	<u>Sep-10</u>
Total Supply Volumes Purchased	Mcf	762	811	847
Total Cost of Volumes Purchased	\$	\$ 4,902	\$ 5,274	\$ 4,347
(divide by) Total Sales (not less than 95% of supply)	Mcf	825	809	877
(equals) Unit Cost of Gas	\$/Mcf	\$ 5.9418	\$ 6.5192	\$ 4.9567
(minus) EGC in effect for month	\$/Mcf	\$ 5.7108	\$ 5.7108	\$ 5.7108
(equals) Difference	\$/Mcf	\$ 0.2310	\$ 0.8084	\$ (0.7541)
(times) Actual sales during month	Mcf	825	809	877
(equals) Monthly cost difference	\$	\$ 190.59	\$ 653.96	\$ (661.37)

	<u>Unit</u>	<u>Amount</u>
Total cost difference	\$	\$ 183.18
(divide by) Sales for 12 Months ended <u>September 30, 2010</u>	Mcf	56,644
(equals) Actual Adjustment for the Reporting Period		\$ 0.0032
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)		\$ 0.0032