



May 27, 2011

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

RECEIVED

MAY 31 2011

PUBLIC SERVICE  
COMMISSION

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 July 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 \$0.72/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

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       | 6.2306      | 16.2306      |
| OVER 1 MCF                   | \$ 5.2553        | 6.2306      | 11.4859      |

B. DEPOSITS \$100.00

DATE OF ISSUE May 27, 2011

Month/Date/Year

DATE EFFECTIVE July 1, 2011

ISSUED BY 

(Signature of Officer)

TITLE Member

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost  
Recovery Rate Calculation

Date filed: May 27, 2011

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Date Rates to be Effective: July 1, 2011

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Reporting Period Ending: March 31, 2010

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## SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

| <u>Component</u>               | <u>Unit</u> |    | <u>Amount</u> |
|--------------------------------|-------------|----|---------------|
| Expected Gas Cost (EGC)        | \$/Mcf      | \$ | 6.1480        |
| + Refund Adjustment (RA)       | \$/Mcf      | \$ | -             |
| + Actual Adjustment (AA)       | \$/Mcf      | \$ | 0.0826        |
| + Balance Adjustment (BA)      | \$/Mcf      | \$ | -             |
| = Gas Cost Recovery Rate (GCR) |             | \$ | 6.2306        |

GCR to be effective for service rendered from July 1, 2011 to September 30, 2011

| <u>A</u> | <u>EXPECTED GAS COST CALCULATION</u>                       | <u>Unit</u> |    | <u>Amount</u> |
|----------|--|-------------|----|---------------|
|          | Total Expected Gas Cost (Schedule II)                      | \$          | \$ | 339,603.22    |
| /        | Sales for the 12 months ended <u>March 31, 2011</u>        | Mcf         |    | 55,238        |
| =        | Expected Gas Cost (EGC)                                    | \$/Mcf      | \$ | 6.1480        |
| <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      | \$ | 0.1920        |
| +        | Previous Quarter Reported Actual Adjustment                | \$/Mcf      | \$ | 0.0218        |
| +        | Second Previous Quarter Reported Actual Adjustment         | \$/Mcf      | \$ | (0.0474)      |
| +        | Third Previous Quarter Reported Actual Adjustment          | \$/Mcf      | \$ | (0.0838)      |
| =        | Actual Adjustment (AA)                                     | \$/Mcf      | \$ | 0.0826        |
| <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, 2011

| (1)<br>Supplier          | (2)<br>Dth | (3)<br>BTU<br>Conversion Fact | (4)<br>Mcf | (5)*<br>Rate | (6)<br>(4) x (5)<br>Cost |
|--------------------------|------------|-------------------------------|------------|--------------|--------------------------|
| Quality Natural Gas, LLC |            |                               | 59,320     | 5.8406       | \$ 346,464.39<br>\$ -    |
| Totals                   |            |                               | 59,320     |              | \$ 346,464.39            |

Line loss for 12 months ended Mar-11 based on purchases of 59,320 Mcf  
and sales of 55,238 Mcf. 6.88%

|   | Unit   | Amount     |
|---|--------|------------|
| Total Expected Cost of Purchases (6)                        | \$     | \$ 346,464 |
| / Mcf Purchases (4)   | Mcf    | 59,320     |
| = Average Expected Cost Per Mcf Purchased                   | \$/Mcf | \$ 5.8406  |
| x Allowable Mcf Purchases (must not exceed Mcf sales / .95) | Mcf    | 58,145     |
| = Total Expected Gas Cost (to Schedule 1A)                  | \$     | \$ 339,603 |

\* EGC rate is calculated as follows: NYMEX futures for Jul (\$4.3910); Aug (\$4.4370); Sep (\$4.4640) = \$4.4310/Dth (avg.)  
x .8 = \$3.5448 + \$0.12 (avg. basis)\*\* = \$3.6648/Dth + \$0.72 (trans.) + 11% (fuel) = \$4.8971 x 1.2 Dth/Mcf =  
5.8406 \$/Mcf

\*\* TCo Appalachian Index Basis

**East Kentucky Utilities, Inc.**

Schedule IV  
Actual Adjustment

For the 3 month period ending: March 31, 2011

| <u>Particulars</u>                                       | <u>Unit</u> | <u>Month 1</u> | <u>Month 2</u> | <u>Month 3</u> |
|--|-------------|----------------|----------------|----------------|
|  |             | <u>Jan-11</u>  | <u>Feb-11</u>  | <u>Mar-11</u>  |
| Total Supply Volumes Purchased                           | Mcf         | 13,252         | 8,704          | 6,774          |
| Total Cost of Volumes Purchased                          | \$          | \$ 78,100      | \$ 52,242      | \$ 36,126      |
| (divide by) Total Sales<br>(not less than 95% of supply) | Mcf         | 14,310         | 8,486          | 6,435          |
| (equals) Unit Cost of Gas                                | \$/Mcf      | \$ 5.4577      | \$ 6.1563      | \$ 5.6137      |
| (minus) EGC in effect for month                          | \$/Mcf      | \$ 5.3262      | \$ 5.3262      | \$ 5.3262      |
| (equals) Difference                                      | \$/Mcf      | \$ 0.1315      | \$ 0.8301      | \$ 0.2875      |
| (times) Actual sales during month                        | Mcf         | 14,310         | 8,486          | 5,849          |
| (equals) Monthly cost difference                         | \$          | \$ 1,882.08    | \$ 7,043.87    | \$ 1,681.73    |

|   | <u>Unit</u> | <u>Amount</u> |
|---|-------------|---------------|
| Total cost difference   | \$          | \$ 10,607.67  |
| (divide by) Sales for 12 Months ended: <u>March 31, 2011</u>                | Mcf         | 55,238        |
| (equals) Actual Adjustment for the Reporting Period                         |             | \$ 0.1920     |
| (plus) Over-recovery component from collections through expired AAs         |             | \$ -          |
| (equals) Total Actual Adjustment for the Reporting Period (to Schedule I C) |             | \$ 0.1920     |