

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE NOTICE OF PURCHASED GAS)	
ADJUSTMENT FILING OF NATURAL)	CASE NO. 2008-00189
ENERGY UTILITY CORPORATION)	

ORDER

On May 28, 2008, pursuant to the terms of its Purchased Gas Adjustment Clause, Natural Energy Utility Corporation (“Natural Energy”) filed its quarterly report with the Commission to update its Gas Cost Recovery (“GCR”) rate to be effective June 1, 2008. Natural Energy’s tariff requires 30 days’ notice for its GCR filings and for calendar quarters beginning in January, April, July and October. The effective date, therefore, will be July 1, 2008, rather than June 1, 2008.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Natural Energy’s notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Natural Energy’s notice sets out an Expected Gas Cost (“EGC”) of \$8.7535 per Mcf, which is an increase of \$.4073 per Mcf from the previous EGC of \$8.3462.
3. Natural Energy’s notice sets out no current quarter supplier Refund Adjustment (“RA”). Natural Energy’s notice sets out no total RA.
4. Natural Energy’s notice sets out a current quarter Actual Adjustment (“AA”) of \$.0001 per Mcf. Natural Energy miscalculated the total cost difference for

January, February and March 2008. Correcting for this produces a current quarter AA of \$.8170 per Mcf. Natural Energy also carried forward incorrect AAs from previous quarters. After correcting for this, Natural Energy's total AA is \$.7858 per Mcf, which is an increase of \$.9396 per Mcf from the previous total AA.

5. Natural Energy's GCR is \$9.5393 per Mcf, which is an increase of \$1.3469 per Mcf from the previous GCR of \$8.1924. Staff's recalculation of the components of the GCR is attached as Appendix B.

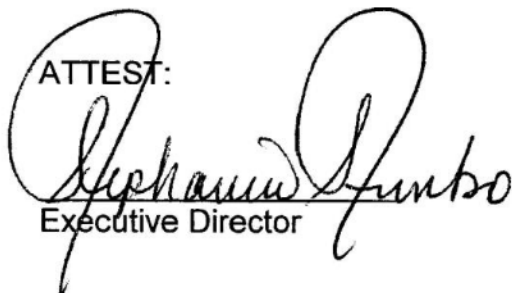
6. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by Natural Energy on and after July 1, 2008.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Natural Energy are denied.
2. The rates in the Appendix, attached hereto and incorporated herein, are approved for billing for service rendered on and after July 1, 2008.
3. Within 20 days of the date of this Order, Natural Energy shall file with the Commission its revised tariff sheets setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 12th day of June, 2008.

By the Commission

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00189 DATED JUNE 12, 2008

The following rates and charges are prescribed for the customers in the area served by Natural Energy Utility Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATES:

<u>Monthly</u>	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total Rate</u>
All Mcf	\$4.24	\$9.5393	\$13.7793

Minimum Bill

The minimum bill shall be \$13.7793

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00189 DATED JUNE 12, 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$8.7535
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$0.7858
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$9.5393

to be effective for service rendered from.

A. EXPECTED GAS COST CALCULATION	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$767,812.50
/Sales for the 12 months ended	\$/Mcf	87,715.00
Expected Gas Cost	\$/Mcf	\$8.7535

B. REFUND ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$0.0000
=Refund Adjustment (RA)	\$ Mcf	\$0.0000

C. ACTUAL ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.8170
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0069)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0733)
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0490
=Actual Adjustment (AA)	\$ Mcf	\$0.7858

D. BALANCE ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$0.0000
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended March 31, 2008

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Marathon Petroleum Corp	90,383	1.03	87,750	\$8.75	\$767,812.50
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals		87,750		\$767,812.50
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Line loss for 12 months ended 3/31/08 is based on purchases of 87,750.00
and sales of 87,715.00 Mcf. 0.04%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$767,812.50
/ Mcf Purchases (4)		87,750
= Average Expected Cost Per Mcf Purchased		\$8.7500
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		87,750.00
= Total Expected Gas Cost (to Schedule IA)		\$767,812.50

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

<u>Particulars</u>	<u>Unit</u>	<u>Jan. '08</u>	<u>Feb. '08</u>	<u>Mar. '08</u>
Total Supply Volumes Purchased	Mcf	17,000.0	14,500.0	11,250.0
Total Cost of Volumes Purchased	\$	\$139,478.00	\$124,597.00	\$108,414.00
/ Total Sales *	Mcf	16,718.0	14,229.0	10,900.0
= Unit Cost of Gas	\$/Mcf	\$8.3430	\$8.7566	\$9.9462
- EGC in Effect for Month	\$/Mcf	\$7.1888	\$7.1888	\$7.1888
= Difference	\$/Mcf	\$1.1542	\$1.5678	\$2.7574
x Actual Sales during Month	Mcf	16,718.0	14,229.0	10,900.0
= Monthly Cost Difference	\$	\$19,295.64	\$22,307.56	\$30,056.08
Total Cost Difference			\$	\$71,659.29
/ Sales for 12 months ended			Mcf	87,715.0
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.8170

* May not be less than 95% of supply volume