

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF GAS COST)	
ADJUSTMENT FILING OF BELFRY)	CASE NO. 2008-00193
GAS COMPANY, INC.)	

ORDER

On October 11, 1993, in Case No. 1993-00111,¹ the Commission approved rates for Belfry Gas Company, Inc. (“Belfry”) and provided for their further adjustment in accordance with Belfry’s gas cost adjustment (“GCA”) clause.

On May 30, 2008, Belfry filed its GCA to be effective July 1, 2008.

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

1. Belfry’s notice includes revised rates designed to pass on to its customers its expected change in wholesale gas costs.
2. Belfry’s notice sets out an expected gas cost (“EGC”) of \$14.28 per Mcf. Belfry incorrectly used purchased volumes rather than sales volumes in its calculation. Correcting for this error produces an EGC of \$14.3058 per Mcf, which is an increase of \$4.1778 per Mcf from its prior EGC of \$10.1280.
3. Belfry’s notice sets out a refund adjustment (“RA”) of (\$.0008) per Mcf. Belfry’s calculation did not include the required interest for the refund. Staff applied the

¹ Case No. 1993-00111, Adjustment of Rates of Belfry Gas Company, Incorporated and for Authority to Incur Additional Indebtedness.

90-day commercial paper rate,² published by the Federal Reserve on June 3, 2008, to the refund amount. The addition of the required interest did not change the RA factor; therefore, the Commission will accept Belfry's proposed RA. Belfry's notice sets out a total RA of (\$.0008) per Mcf, which is a decrease of (\$.0008) per Mcf from the prior total RA.

4. Belfry's notice sets out a current quarter actual adjustment ("AA") of \$.0012 per Mcf. Belfry used an incorrect EGC for the months of January, February and March 2008 in its calculations. Correcting for this produces a current quarter AA of (\$.0549) per Mcf. Belfry also carried forward incorrect figures from prior quarters in calculating its total AA. Correcting for these errors produces a total AA of (\$.0797) per Mcf, which is an increase of \$.1194 per Mcf from its previous total AA.

5. Belfry's notice sets out no balance adjustment.

6. Belfry's GCA is \$14.2253 per Mcf, which is an increase of \$4.2964 per Mcf from its previous rate of \$9.9289. Staff's corrections to the factors included in the GCA are attached as Appendix B.

7. The rates in Appendix A to this Order are fair, just, and reasonable, and should be approved for billing for service rendered by Belfry on and after July 1, 2008.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Belfry are hereby denied.
2. The rates in Appendix A, attached hereto and incorporated herein, are approved for billing for service rendered on and after July 1, 2008.

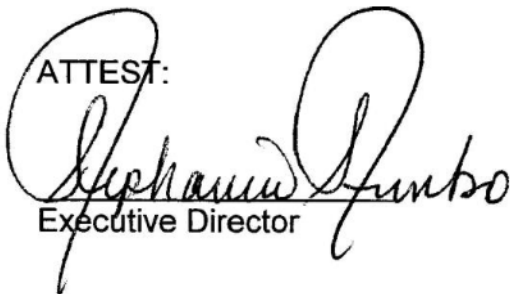
² The 90-day commercial paper rate is typically used by the large utilities in the RA calculation and has been accepted by the Commission in prior gas cost applications. The rate as of June 3, 2008 was 2.52 percent.

3. Within 20 days of the date of this Order, Belfry 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. 2008-00193 DATED JUNE 12, 2008

The following rates and charges are prescribed for the customers served by Belfry Gas Company, Inc. 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.

RETAIL RATES:

Monthly usage

	<u>Base Rate</u>	<u>Gas Cost Recovery Rate</u>	<u>Total</u>
First 1,000 cubic feet (Minimum Bill)	\$4.2667	\$14.2253	\$18.4920
Over 1,000 cubic feet	\$2.7182	\$14.2253	\$16.9435

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00193 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	\$14.3058
Refund Adjustment (RA)	\$/Mcf	(\$0.0008)
Actual Adjustment (AA)	\$/Mcf	(\$0.0797)
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$14.2253

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	\$561,403.92
/Sales for the 12 months ended	\$/Mcf	39,243.00
Expected Gas Cost	\$/Mcf	\$14.3058

B. REFUND ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	(\$0.0008)
+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	(\$0.0008)

C. ACTUAL ADJUSTMENT CALCULATION	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	(\$0.0549)
+Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0160)
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.0018
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(\$0.0106)
=Actual Adjustment (AA)	\$ Mcf	(\$0.0797)

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
Kinhag Development Co.			39,314	\$14.28	\$561,403.92
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals			39,314		\$561,403.92
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Line loss for 12 months ended 3/31/08 is based on purchases of 39,314.00
 and sales of 39,243.00 Mcf. 0.18%

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)		\$561,403.92
/ Mcf Purchases (4)		39,314
= Average Expected Cost Per Mcf Purchased		\$14.2800
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		39,314.00
= Total Expected Gas Cost (to Schedule IA)		\$561,403.92

SCHEDULE III

SUPPLIER REFUND ADJUSTMENT

Description		Unit	Amount
Supplier Refunds Received during 2 Month Period	2007	\$	\$29.35
Interest Factor (90 Day Commercial Paper Rate)			1.0252
Refunds Including Interest		\$	\$30.09
Divided by 12 Month Projected Sales Ended	2008	Mcf	39,243.00
Current Supplier Refund Adjustment			(\$0.0008)

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>	<u>Month 2</u>	<u>Month 3</u>
Total Supply Volumes Purchased	Mcf	6,678.0	8,265.0	6,531.0
Total Cost of Volumes Purchased	\$	\$61,304.00	\$75,873.00	\$59,955.00
/ Total Sales *	Mcf	6,678.0	8,260.0	6,531.0
= Unit Cost of Gas	\$/Mcf	\$9.1800	\$9.1856	\$9.1801
- EGC in Effect for Month	\$/Mcf	\$9.2825	\$9.2825	\$9.2825
= Difference	\$/Mcf	(\$0.1025)	(\$0.0969)	(\$0.1024)
x Actual Sales during Month	Mcf	6,678.0	8,260.0	6,531.0
= Monthly Cost Difference	\$	(\$684.54)	(\$800.45)	(\$669.01)
Total Cost Difference			\$	(\$2,153.99)
/ Sales for 12 months ended			Mcf	39,243.0
= Actual Adjustment for the Reporting Period (to Sch IC)				(\$0.0549)

* May not be less than 95% of supply volume