



September 28, 2012

Jeff Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40601

Re: Public Gas Company
Alternative Rate Filing
Case 2012-00431

Dear Mr. Derouen,

On behalf of Public Gas Company (PGC) I hereby submit this Alternative Rate Filing Application pursuant to 807 KAR 5:076. An original of the application is attached. PGC has filed a Notice of Election of Use of Electronic Filing form with the Commission. As such, this filing has been made by electronic means.

Public Gas Company has made arrangements to publish notice once a week for three (3) consecutive weeks in the newspapers listed below in its service area.

The Jackson Times
Circulation area – Perry, Lee, Owsley, Wolfe & Breathitt

Paintsville Herald
Circulation area – Johnson, Floyd, Magoffin, Lawrence & Pikeville

Salyersville Independent
Circulation area – Magoffin, Johnson, Floyd & Morgan

Wolfe County News
Wolfe

Pease feel free to contact me if you have any questions.

Respectfully,

A handwritten signature in black ink that reads 'Paul G. Garcia'.

Paul G. Garcia
Norbourne Associates, LLC
409 South Sherrin Avenue
Louisville, Kentucky 40207
502.345.3706

Louisville, Kentucky
502.345.3706
paul.garcia@norbourne.com

SUBMIT ORIGINAL AND FIVE ADDITIONAL COPIES, UNLESS FILING ELECTRONICALLY

**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Public Gas Compnay

(Name of Utility)

8500 Station Street, Suite 100

(Business Mailing Address - Number and Street, or P.O. Box)

Mentor, OH 44060

(Business Mailing Address - City, State, and Zip)

440.974.7632

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Thomas J Smith

(Name)

8500 Station Street, Suite 100

(Address - Number and Street or P.O. Box)

Mentor, OH 44060

(Address - City, State, Zip)

440.974.7632

(Telephone Number)

tsmith13@sprynet.com

(Email Address)

(For each statement below, the Applicant should check either "YES" or "NO".)

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

- | | YES | NO |
|---|-------------------------------------|-------------------------------------|
| 4. a. Applicant is a corporation. A certified copy of its articles of incorporation and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. Applicant is a limited liability company. A certified copy of its articles of organization and all amendments are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant is a limited partnership. A certified copy of its limited partnership agreement and all amendments thereto are attached to this application or were filed with the Public Service Commission in Case No. _____. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| d. Applicant is a sole proprietorship or partnership. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| e. Applicant is a water district organized pursuant to KRS Chapter 74. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| f. Applicant is a water association organized pursuant to KRS Chapter 273. | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 6. a. Applicant has 20 or fewer customers or is a sewer utility and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant has more than 20 customers, is not a sewer utility, and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| c. Applicant has more than 20 customers, is not a sewer utility, and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. (Attach a copy of customer notice.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| 7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." (Attach completed "Reasons for Application" Attachment.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

YES NO

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2011.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 349,571 and total revenues from service rates of \$ 606,110. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 1632 customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
- 15.a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

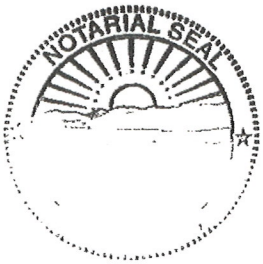
- | | YES | NO |
|--|-------------------------------------|-------------------------------------|
| 16.a. Applicant is not required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| b. Applicant is required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| c. Applicant's most recent state and federal tax returns are attached to this Application.
(Attach a copy of returns.) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
-
17. Approximately Zero (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. YES NO

I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed *[Signature]*
 Officer of the Company/Authorized Representative
 Title *Thomas J. Smith*
 Date *Sept 19, 2012*

COMMONWEALTH OF KENTUCKY
 COUNTY OF _____

Before me appeared *Thomas J. Smith*, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.



MEGAN RICHARDS
 Notary Public
 In and for the State of Ohio
 My Commission Expires
 July 18, 2015

[Signature]
 Notary Public
 My commission expires: *2/18/15*

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- All amendments to Applicant's Articles of Incorporation, Articles of Organization, or Limited Partnership Agreement.
- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment
- "Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- "Billing Analysis" Attachment
- Depreciation Schedule
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return

PUBLI GAS COMPANY
NOTICE TO CUSTOMERS
GAS RATE ADJUSTMENT

Pursuant to the regulations of the Public Service Commission (Commission), Public Gas Company (PGC) gives notice that it intends to increase its gas rates. The rates listed below, which are approximately a 36.38% average increase over the current rates, are to be effective November 1, 2012, or sooner if approved by the Commission. The average customer bill will increase from \$51.74 per month to \$70.57 per month. Further information may be obtained from the Commission or PGC. The Public Service Commission may order rates to be charged that differ from these proposed rates, such action may result in rates for consumers other than the rates in this notice, which may be higher or lower than those proposed by PGC.

Any corporation, association, body politic or person may by timely motion, within 30 days of this Notice, request intervention in this case. Intervention beyond the 30 day period may be granted for good cause shown. The Motion must be submitted to the Public Service Commission, 211 Sower Blvd., Box 615, Frankfort, Ky. 40602 and should state the grounds for the request, including the interest and status of the party. Intervenor may obtain copies of the Application and any testimony filed by contacting PGC at the address below. A copy of the Application is available for public review at the office of PGC and at the Public Service Commission, 211 Sower Blvd., Frankfort, Ky. 40601, (502) 564-3940.

Current Rate

Service Charge :	None
Base Rate First Mcf	\$3.2705
Base Rate over 1 Mcf	\$2.1505

Proposed Rate:

Service Charge	\$ 13.00
Charge per Mcf	\$3.3268

Non-Recurring Charges:

Returned Check Charges:	Customer Deposit:
Current: None	Current: \$100.00
Proposed: \$20.00	Proposed: \$140.00

Reconnection Charge:

Current: \$35.00
Proposed: \$40.00

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Public Gas Company, (PGC), petitions the Commission for an order approving an adjustment of rates. It also seeks an adjustment to the following non-recurring fees: the reconnection charge, returned check charge and customer deposits.

The Commission approved the transfer of Public Gas stock from Kentucky Energy to Gas Natural (the owner and operator of PGC) in March of 2012. In the approval of this transfer (case 2012-00029) Gas Natural demonstrated that it has a longstanding commitment to provide safe and reliable service to its retail customers at just and reasonable rates.

In order to have the financial stability needed to provide safe and reliable service, PGC has filed this alternative rate filing application. The Commission's alternative rate filing formula generates a fair and reasonable return on PGC's investment. In addition, PGC will no longer be operating at a loss. PGC has operated at a loss for the calendar years 2011 (\$22,273) and 2010 (\$69,390.)

Furthermore, PGC's proposed rate design includes a customer charge. PGC's previous rate design had no customer charge whatsoever. The proposed \$13 customer charge will bring further rate stability to PGC by easing the impact of the vagaries of weather on both PGC' and its customers. Note that the level of this charge is in line with other Kentucky LDC's.

The changes to PGC's non-recurring charges are also supported in the filing. Please see the attached work papers for each of the three non-recurring charges.

With respect to customer deposits the Commission's regulations 807 KAR 5:005, Section 7(b) state that, "The utility may establish an equal amount for each class based on the average bill of customers in that class. Deposit amounts shall not exceed two-twelfths (2/12) of the average bill of customers in the class where bills are rendered monthly...." Consistent with these regulations, we are proposing a change to deposit requirement as show in the work papers.

Please be aware that the Company has not included a copy of its filed Federal and State Income tax returns. This is due to the fact that as of this filing, Public Gas has yet to make its first filing of Federal and State income taxes. Public Gas will make its filing of these taxes in 2013.

**Current and Proposed Rates
Pubic Gas Company**

Proposed
Service Charge \$ 13.00

Charge per Mcf \$3.3268

Current
Base Rate First Mcf \$3.2705

Base Rate over 1 Mcf \$2.1505
