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**VIA ELECTRONIC FILING**

September 23, 2016

Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

RE: Peoples Gas KY LLC  
GCR Filing Proposed to Become Effective November 1, 2016  
Case No. 2016-00331

Dear Mr. Derouen:

Enclosed for filing on behalf of Peoples Gas KY LLC (Peoples KY) is the Gas Cost Recovery (GCR) filing for the calendar quarter ended July 31, 2016, for rates proposed to become effective November 1, 2016. Also included are Twelfth Revised Sheet No. 2 and Eleventh Revised Sheet No. 4, to Peoples KY PSC Kentucky No. 1 Tariff, which are being filed pursuant to the Purchased Gas Adjustment Provision of that Tariff. A hard copy will follow via regular mail delivery.

This filing proposes a GCR rate of \$3.9818 per Mcf of sales, an increase of \$0.5365 per Mcf from the current PGA, which was approved in Case No. 2016-00210 effective August 1, 2016.

For the purposes of forecasting its Expected Gas Cost (EGC), Peoples KY is assuming purchases based on the Appalachian Index price of gas for Columbia Transmission. This price is developed by averaging the estimated cost of gas over 3 months beginning November 2016.

Schedule 1 of the filing is a summary of the proposed PGA rate components. Schedule 2 is a summary of the expected gas costs based on purchases for the 12 months ended July 2016. Schedule 3 is a listing by month of Peoples KY's sales to its customer's for the 12 months ended July 2016. Schedules 4 and 5 are summaries of ACA components.

Sincerely,

Carol Scanlon  
Rate Consultant

Enclosures