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Governor

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Energy and Environment Cabinet

Seldon Horne  
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Commonwealth of Kentucky  
**Public Service Commission**  
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David L. Armstrong  
Chairman

James Gardner  
Vice-Chairman

John W. Clay  
Commissioner

November 26, 2008

RE: Case No. 2008-00465

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Stephanie Stumbo  
Executive Director

SS/ke  
Enclosure

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED GAS ADJUSTMENT OF )  
EAST KENTUCKY UTILITIES, INC. ) CASE NO. 2008-00465

ORDER

On March 11, 2005, in Case No. 2005-00032,<sup>1</sup> the Commission approved rates for East Kentucky Utilities, Inc. ("East Kentucky") and provided for their further adjustment on an as-needed basis in accordance with East Kentucky's gas cost adjustment ("GCA") clause. On August 15, 2005, Kentucky Frontier Gas, LLC assumed operation of the system.

On November 5, 2008, East Kentucky filed its proposed GCA to be effective December 1, 2008. The Gas Cost Adjustment Clause in East Kentucky's tariff states that an increase in rates shall not be effective with less than 30 days notice unless a waiver is requested and granted. East Kentucky's application includes a request for a waiver of the thirty-day notice.

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

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<sup>1</sup> Case No. 2005-00032, Application of East Kentucky Utilities, Inc. for Approval of the Proposed Increase in Rates.

1. East Kentucky's request for a waiver of the thirty-day notice requirement should be granted.

2. East Kentucky's notice includes revised rates designed to pass on to its customers its expected change in gas costs.

3. East Kentucky's notice sets out an Expected Gas Cost ("EGC") of \$7.4017 per Mcf. East Kentucky incorrectly calculated its EGC on Schedule II. Correcting for this produces a total expected gas cost of \$416,415 and an EGC factor of \$7.6923 per Mcf, which is a decrease of \$1.7719 per Mcf from its previous EGC of \$9.4642. Commission Staff's recalculation of Schedule II is attached as Appendix B.

4. East Kentucky's notice sets out no refund adjustment.

5. East Kentucky's notice sets a current quarter Actual Adjustment ("AA") of \$.2229 per Mcf. East Kentucky incorrectly used its EGC that was effective September 1, 2008, rather than the EGC that was effective for the months of June, July and August 2008.<sup>2</sup> Correcting for this produces a current quarter AA of \$.3094 per Mcf. East Kentucky's total AA is \$.6590 per Mcf, which is \$.3094 per Mcf more than the previous total AA. Staff's recalculation of Schedule IV is attached as Appendix B.

6. East Kentucky's notice sets out no current quarter Balance Adjustment ("BA"). East Kentucky's total BA is \$.0000 per Mcf, which is no change from the previous total BA.

7. East Kentucky's GCA is \$8.3513 per Mcf, which is \$1.4625 per Mcf less than the previous rate of \$9.8138.

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<sup>2</sup> Case No. 2006-00461, Notice of Purchased Gas Adjustment Filing of East Kentucky Utilities, Inc., Order dated November 28, 2006.

8. The rates in the Appendix to this Order are fair, just, and reasonable, and should be approved for service rendered by East Kentucky on and after December 1, 2008.

IT IS THEREFORE ORDERED that:

1. East Kentucky's request for a waiver of the thirty day notice requirement is granted.

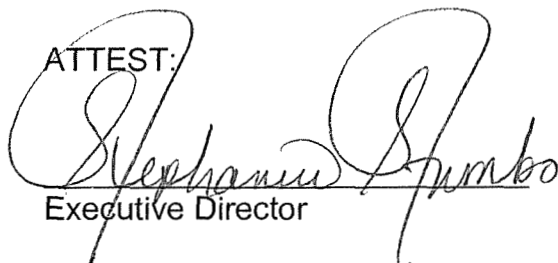
2. East Kentucky's proposed rates are denied.

3. The rates in the Appendix to this Order are approved for service rendered on and after December 1, 2008.

4. Within 20 days of the date of this Order, East Kentucky shall file with this Commission its revised tariffs setting out the rates authorized herein.

Done at Frankfort, Kentucky, this 26th day of November, 2008.

By the Commission

ATTEST:  
  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2008-00465 DATED NOVEMBER 26, 2008

The following rates and charges are prescribed for the customers served by East Kentucky Utilities, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

	<u>Base Rate</u>	Gas Cost Recovery <u>Rate</u>	<u>Total</u>
First Mcf	\$10.00	\$8.3513	\$18.3513
All Mcf	\$5.2553	\$8.3513	\$13.6066

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2008-00465 DATED NOVEMBER 26, 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$7.6923
Refund Adjustment (RA)	\$/Mcf	\$0.0000
Actual Adjustment (AA)	\$/Mcf	\$0.6590
Balance Adjustment (BA)	\$/Mcf	\$0.0000
Gas Cost Recovery Rate (GCR)	\$/Mcf	\$8.3513

To be effective for service rendered from December 1, 2008 to March 1, 2009.

<u>A. EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Total Expected Gas Cost (Sch II)	\$/Mcf	\$416,415.82
/Sales for the 12 months ended August 31, 2008	\$/Mcf	54,134.00
Expected Gas Cost	\$/Mcf	\$7.6923
<u>B. REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Supplier Refund Adjustment for Reporting Period (Sch III)	\$/Mcf	\$0.0000
+Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
+Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	
=Refund Adjustment (RA)	\$ Mcf	\$0.0000
<u>C. ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Actual Adjustment for the Reporting Period (Sch IV)	\$/Mcf	\$0.3094
+Previous Quarter Reported Actual Adjustment	\$/Mcf	\$0.3496
+Second Previous Quarter Reported Actual Adjustment	\$/Mcf	
+Third Previous Quarter Reported Actual Adjustment	\$/Mcf	
=Actual Adjustment (AA)	\$ Mcf	\$0.6590
<u>D. BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
Balance Adjustment for the Reporting Period (Sch V)	\$/Mcf	\$0.0000
+Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Second Previous Quarter Reported Balance Adjustment	\$/Mcf	
+Third Previous Quarter Reported Balance Adjustment	\$/Mcf	
=Balance Adjustment (BA)	\$ Mcf	\$0.0000

SCHEDULE II  
EXPECTED GAS COST

Actual Mcf Purchases for 12 months ended August 31, 2008

(1) Supplier	(2) Dth	(3) Btu Conversion Factor	(4) Mcf	(5) Rate	(6) (4) x (5) Cost
Quality Natural Gas LLC			61,865	\$7.3077	\$452,090.86
					\$0.00
					\$0.00
					\$0.00
					\$0.00
					\$0.00

Totals			61,865		\$452,090.86
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Line loss for 12 months ended 8/31/08 is based on purchases of 61,865.00  
and sales of 54,134.00 Mcf. 12.50%

	Unit	Amount
Total Expected Cost of Purchases (6)		\$452,090.86
/ Mcf Purchases (4)		61,865
= Average Expected Cost Per Mcf Purchased		\$7.3077
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)		56,983.16
= Total Expected Gas Cost (to Schedule IA)		\$416,415.82

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 12 month period ended August 31, 2008.

Particulars	Unit	June 2008	July 2008	August 2008
		Month 1	Month 2	Month 3
Total Supply Volumes Purchased	Mcf	991	909	979
Total Cost of Volumes Purchased	\$	\$14,821.00	\$14,802.00	\$11,008.00
/ Total Sales *	Mcf	975.0	1,084.0	959.0
= Unit Cost of Gas	\$/Mcf	\$15.2010	\$13.6550	\$11.4786
- EGC in Effect for Month	\$/Mcf	\$7.9135	\$7.9135	\$7.9135
= Difference	\$/Mcf	\$7.2875	\$5.7415	\$3.5651
x Actual Sales during Month	Mcf	975.0	1,084.0	959.0
= Monthly Cost Difference	\$	\$7,105.34	\$6,223.77	\$3,418.95
Total Cost Difference			\$	\$16,748.06
/ Sales for 12 months ended August 31, 2008			Mcf	54,134.0
= Actual Adjustment for the Reporting Period (to Sch IC)				\$0.3094

\* May not be less than 95% of supply volume