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Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

John W. Clay
Commissioner

February 24, 2009

Martin Gas Company
Attn: Kevin Jacobs
P.O. Box 783
Hindman, KY 41822-5200

2009-00099

RECEIVED

MAR 4 2009

PUBLIC SERVICE
COMMISSION

RE: Gas Cost Adjustment Filing

Dear Mr. Jacobs,

A review of Commission records shows that Martin Gas Company has not made a Gas Cost Adjustment filing since August 4, 2008 in Case No. 2008-00312. The Gas Cost Adjustment rate established in that case was \$5.0065 per Mcf, with rates effective October 1, 2008. The terms of the gas cost adjustment clause in Martin Gas's tariff requires the utility to file quarterly to change its rates.

In order to bring Martin Gas into compliance with its tariff, the utility should file within two weeks of the receipt of this letter to adjust its rates so that they reflect its most current gas cost, as well as any over- or under-recoveries of gas cost since its last filing.

Thank you for your cooperation in this matter. If you have any questions, please contact Daryl Newby of the Commission's Division of Financial Analysis at (502)564-6940.

Sincerely,


Jeff DeRouen
Executive Director

Case # Martin Gas Inc.
2008-00312

APPENDIX B
Page 1

Quarterly Report of Gas Cost
Recovery Rate Calculation

Date Filed: December 1 2008

Date Rates to Be Effective: January 1 2009

Reporting Period is Calendar Quarter Ended:

September 30 2008

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Componet</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	5.1537
+ Refund Adjustment (RA)	\$/Mcf	
+ Actual Adjustment (AA)	\$/Mcf	0.0005
+ <u>Balance Adjustment (BA)</u>	\$/Mcf	
= Gas Cost Recovery Rate (GCR)		5.1542

GCR to be effective for service rendered from April 1 2008 to June 30 2008

A.	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	208087.54
	+ <u>Sales for the 12 months ended</u> <u>9-30-08</u>	Mcf	<u>40376.37</u>
	= Expected Gas Cost (ECG)	\$/Mcf	5.1537
B.	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (SHC. III)	\$/Mcf	
	+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	
	+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	
	+ <u>Third Previous Quarter Supplier Refund Adjustment</u>	\$/Mcf	
	= Refund Adjustment (RA)	\$/Mcf	
C.	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	0.0013
	+ Previous Quarter Reported Actual Adjustment	\$/Mcf	0.0001
	+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	0.0006
	+ <u>Third Previous Quarter Reported Actual Adjustment</u>	\$/Mcf	-0.0015
	= Actual Adjustment (AA)	\$/Mcf	0.0005
C.	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	
	+ Previous Quarter Reported Balance Adjustment	\$/Mcf	
	+ Second Previous Quarter Balance Adjustment	\$/Mcf	
	+ <u>Third Previous Quarter Balance Adjustment</u>	\$/Mcf	
	= Balance Adjustment (BA)	\$/Mcf	

SCHEDULE II

EXPECTED GAS COST

Actual * MCF Purchases for 12 months ended 8-31-07

<u>Supplier</u>	<u>Date</u>	<u>MCF</u>	<u>Rate</u>	<u>Cost</u>
	10/31/2007	3204.53	5.22000	16727.65
	11/30/2007	4590.27	5.37800	24686.47
	12/31/2007	5972.31	5.22800	31223.24
	1/31/2008	6288.65	5.11369	32158.18
	2/28/2008	5869.82	5.00105	29355.24
	3/31/2008	4889.80	5.09210	24899.33
	4/31/2008	2590.33	5.21730	13514.54
	5/31/2008	2014.94	5.16544	10408.06
	6/30/2008	1286.27	5.03335	6474.25
	7/31/2008	1390.00	5.00000	6950.00
	8/31/2008	1055.27	5.02903	5306.98
	9/30/2008	1224.18	5.21459	6383.60
Totals		40376.37	5.154	208087.54

Line loss for 12 months ended 9-30-08 is -0.01328 based on purchases of
40376.37 Mcf and sales of 39840.00 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	208087.54
+ <u>Mcf Purchases (4)</u>	Mcf	<u>40376.37</u>
= Average Expected Cost Per Mcf Purchased	\$/Mcf	5.154
<u>X Allowable Mcf Purchases (must not exceed Mcf sales + .95</u>	Mcf	<u>40376.37</u>
= Total Expected Gas Cost (to Schedule IA)	\$	208087.54

* Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

**Supplier's tariff sheets or notices are attached.

SCHEDULE IV

ACTUAL ADJUSTMENT

For the 3 month period ended SEPTEMBER 30 2008

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u> <u>07-31-08</u>	<u>Month 2</u> <u>08-31-08</u>	<u>Month 3</u> <u>09-30-08</u>
Total Supply Volumes Purchased	Mcf	1390	1055.27	1224.18
Total Cost of Volumes Purchased	\$	6950	5306.98	6383.6
+ Total Sales (may not be less than 95% of supply volumes)	Mcf	1390	1055.27	1224.18
<hr/>				
= Unit Cost of Gas	\$/Mcf	5.00	5.03	5.21
- EGC in effect for month	\$/Mcf	<u>5.0064</u>	<u>5.0064</u>	<u>5.0064</u>
= Difference [(over-)/Under-Recovery]	\$/Mcf	-0.006	0.023	0.208
<hr/>				
x Actual sales during month	Mcf	<u>1390</u>	<u>1055.27</u>	<u>1224.18</u>
= Monthly cost difference	\$	-8.90	23.88	254.87

	Unit	Amount
Total cost difference (Month 1 + Month 2 + Month 3)	\$	269.85
+ Sales for 12 months ended <u>9-30-08</u>	Mcf	208087.54
= Actual Adjustment for the Reporting Period (to Schedule C)	\$/Mcf	0.0012968

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	+ <u>Third Previous Quarter Supplier Refund Adjustment</u>	\$/Mcf	
	= Refund Adjustment (RA)	\$/Mcf	

C.	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
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	+ <u>Third Previous Quarter Balance Adjustment</u>	\$/Mcf	
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<u>= Unit Cost of Gas</u>	<u>\$/Mcf</u>	<u>5.00</u>	<u>5.03</u>	<u>5.21</u>
<u>- EGC in effect for month</u>	<u>\$/Mcf</u>	<u>5.0064</u>	<u>5.0064</u>	<u>5.0064</u>
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<u>x Actual sales during month</u>	<u>Mcf</u>	<u>1390</u>	<u>1055.27</u>	<u>1224.18</u>
<u>= Monthly cost difference</u>	<u>\$</u>	<u>-8.90</u>	<u>23.88</u>	<u>254.87</u>

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	269.85
<u>+ Sales for 12 months ended 9-30-08</u>	<u>Mcf</u>	<u>208087.54</u>
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