



September 15, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: Gas Cost Adjustment
Kentucky Frontier Gas, LLC
dba East Kentucky Utilities, Inc.

2010-371
RECEIVED
SEP 17 2010
PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen:

Attached is an updated Gas Cost Adjustment filing with a revised EGC for the 4th quarter period commencing October 1, 2010.

The cost of gas from EKU's supplier is the Inside FERC Columbia Appalachia First of Month rate times 80%. They also apply a gathering charge of \$0.7251/Dth plus 11% fuel. Since EKU does not have access to the Columbia Appalachia Futures Index, EKU uses the NYMEX Futures spot price to calculate EGC. The calculation is included in the Schedule II footnotes.

If you have any questions, please call me at 303-422-3400.

Sincerely,

KENTUCKY FRONTIER GAS, LLC
dba EAST KENTUCKY UTILITIES, INC.

Dennis R. Horner
Kentucky Frontier Gas, LLC

Enclosures

Company Name

East Kentucky Utilities, Inc.

Quarterly Report of Gas Cost
Recovery Rate Calculation

Date filed: August 30, 2009

Date Rates to be Effective: October 1, 2010

Reporting Period Ending: June 30, 2010

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

	<u>Component</u>	<u>Unit</u>	<u>Amount</u>
	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.7108
+	Refund Adjustment (RA)	\$/Mcf	\$ -
+	Actual Adjustment (AA)	\$/Mcf	\$ (0.3975)
+	Balance Adjustment (BA)	\$/Mcf	\$ -
=	Gas Cost Recovery Rate (GCR)		\$ 5.3134

GCR to be effective for service rendered from July 1, 2010 to September 30, 2010

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 324,318.72
/	Sales for the 12 months ended June 30, 2010	Mcf	56,790
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 5.7108
B	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)		\$ -
+	Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	\$ -
=	Refund Adjustment (RA)	\$/Mcf	\$ -
C	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Sch. IV)	\$/Mcf	\$ (0.0248)
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.4318)
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ 0.1942
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ (0.1351)
=	Actual Adjustment (AA)	\$/Mcf	\$ (0.3975)
D	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Sch. V)	\$/Mcf	\$ -
+	Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Balance Adjustment	\$/Mcf	\$ -
=	Balance Adjustment (BA)	\$/Mcf	\$ -

East Kentucky Utilities, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual *MCF Purchases for 12 months ended June 30, 2010

(1) Supplier	(2) Dth	(3) BTU Conversion Fact	(4) Mcf	(5)** Rate	(6) (4) x (5) Cost
Quality Natural Gas, LLC			68,573	\$ 5.4253	\$ 372,029.10
					\$ -
Totals			68,573		\$ 372,029.10

Line loss for 12 months ended June, 2010 based on purchases of 68,573
and sales of 56,790 Mcf. 17.18%

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 372,029
/ Mcf Purchases (4)	Mcf	68,573
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 5.4253
x Allowable Mcf Purchases (must not exceed Mcf sales / .95)	Mcf	59,779
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 324,319

* MCF purchases for 12 months ended June 30, 2010 have been adjusted to reflect credits from supplier due to over charging East Kentucky Utilities.

** EGC rate is calculated as follows: NYMEX futures for Oct. (\$3.9330/Dth), Nov. (\$4.1700/Dth) and Dec. (\$4.4650/Dth) = average \$4.1913/Dth x 80% = \$3.3531/Dth + \$0.72/Dth (transportation) = \$4.0731/Dth + 11% (fuel charge) = \$4.5211/Dth x 1.2 Dth/Mcf = \$5.4253/Mcf

East Kentucky Utilities, Inc.

Schedule IV
Actual Adjustment

For the 3 month period ending June 30, 2010

Particulars	Unit	Month 1		Month 2		Month 3	
		Apr-10	May-10	May-10	Jun-10		
Total Supply Volumes Purchased	Mcf	2,767	1,904	861			
Total Cost of Volumes Purchased	\$	18,273	11,158	4,993			
(divide by) Total Sales	Mcf	3,625	1,809	908			
(not less than 95% of supply)							
(equals) Unit Cost of Gas	\$/Mcf	5.0408	6.1687	5.4989			
(minus) EGC in effect for month	\$/Mcf	5.6173	5.6173	5.6173			
(equals) Difference	\$/Mcf	(0.5765)	0.5514	(0.1184)			
(times) Actual sales during month	Mcf	3,625	1,435	908			
(equals) Monthly cost difference	\$	(2,089.71)	791.30	(107.51)			
Total cost difference							
(divide by) Sales for 12 Months ended June 30, 2010	Unit						
(equals) Actual Adjustment for the Reporting Period	\$						
(plus) Over-recovery component from collections through expired AAs							
(equals) Total Actual Adjustment for the Reporting Period (to Schedule I C)	\$						