



February 29, 2011

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

Re: Gas Cost Adjustment  
B.T.U. Gas Company

Dear Mr. Derouen:

Kentucky Frontier Gas, LLC (KFG) appointed as operator of B.T.U. Gas Company by the U.S. Bankruptcy Court, Case No. 10-70767-TNW, August 11, 2011. On behalf of BTU, KFG is filing for a Gas Cost Recovery for the period commencing April 1, 2012.

Enclosed is a GCA form and related calculations on which we base our request for rate changes. The cost of gas from suppliers varies from \$3.00/Dth to \$5.00/Dth. The B.T.U. system is currently experiencing high L&U as a result of unmetered users and potential interconnections to other systems not part of B.T.U.

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

Sincerely,

KENTUCKY FRONTIER GAS, LLC

A handwritten signature in black ink that reads "Dennis R. Horner".

Dennis R. Horner  
Kentucky Frontier Gas, LLC

Enclosures

RECEIVED

MAR 02 2012

PUBLIC SERVICE  
COMMISSION

FOR ENTIRE AREA SERVED  
Community, Town or City

P.S.C. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

BTU Gas Company, Inc.  
(Name of Utility)

CANCELING P.S. KY. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

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RATES AND CHARGES

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APPLICABLE: Entire area served

AVAILABILITY OF SERVICE: Domestic and commercial use in applicable areas.

A. MONTHLY RATES:

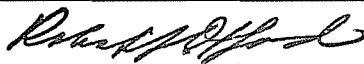
	<u>Base Rate</u>	<u>GRR</u>	<u>Total</u>
FIRST (1) MCF (MINIMUM BILL)	\$ 3.9000	18.5456	22.4456
OVER 1 MCF	\$ 2.9700	18.5456	21.5156

B. DEPOSITS:

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DATE OF ISSUE \_\_\_\_\_ February 29, 2012 \_\_\_\_\_

DATE EFFECTIVE \_\_\_\_\_ April 1, 2012 \_\_\_\_\_

ISSUED BY \_\_\_\_\_  \_\_\_\_\_  
(Signature of Officer)

TITLE \_\_\_\_\_ Member \_\_\_\_\_

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. \_\_\_\_\_ DATED \_\_\_\_\_

Company Name

BTU Gas Company, Inc.

3 Month Report of Gas Cost  
Recovery Rate Calculation

Date filed: February 29, 2012

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Date Rates to be Effective: April 1, 2012

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Reporting Period Ending: December 31, 2011

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SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

	<u>Component</u>	<u>Unit</u>	<u>Amount</u>
	Expected Gas Cost (EGC)	\$/Mcf	\$ 13.8966
+	Refund Adjustment (RA)	\$/Mcf	\$ -
+	Actual Adjustment (AA)	\$/Mcf	\$ 4.6490
+	Balance Adjustment (BA)	\$/Mcf	\$ -
=	Gas Cost Recovery Rate (GCR)		\$ 18.5456

GCR to be effective for service rendered from April 1, 2012 to Jun 30, 2012

A	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule II)	\$	\$ 155,586
/	Sales for the 4 months ended: <u>December 31, 2011</u>	Mcf	11,196
=	Expected Gas Cost (EGC)	\$/Mcf	\$ 13.8966

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	\$ 4.6490
+	Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Second Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
+	Third Previous Quarter Reported Actual Adjustment	\$/Mcf	\$ -
=	Actual Adjustment (AA)	\$/Mcf	\$ 4.6490

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	\$ -

BTU Gas Company, Inc. - GAS COST RECOVERY RATE

SCHEDULE II

EXPECTED GAS COST

Actual \*MCF Purchases for 4 months ended: December 31, 2011

(1) Supplier	(2) Dth	(3) Conversion Fact	(4) Mcf	(5)* Rate	(6) (4) x (5) Cost
Spirit Energy	18,293	0.9315	19,638	\$ 5.0000	\$ 91,464
Kentucky Reserves	6,200	1.0901	5,688	\$ 4.5000	\$ 27,902
Tackett	2,443	1.0800	2,262	\$ 3.0000	\$ 7,329
Walker	142	1.0742	132	\$ 3.0000	\$ 425
<b>Totals</b>			<b>27,720</b>		<b>\$ 127,120</b>

% Loss for 4 mos ended and sales of Dec-11 based on purchases of 27,720  
11,196 Mcf. 60% \*\*

	Unit	Amount
Total Expected Cost of Purchases (6)	\$	\$ 127,120
/ Mcf Purchases (4)	Mcf	27,720
= Average Expected Cost Per Mcf Purchased	\$/Mcf	\$ 4.5859
x Mcf Purchases based on 60% line loss	Mcf	33,927
= Total Expected Gas Cost (to Schedule 1A)	\$	\$ 155,586

\* Spirit Energy contract = \$5.00/Dth  
 Kentucky Reserves contract = \$4.50/Dth  
 All others = \$3.000/Dth or 80% of TCO whichever is greater  
 EGC 3 month avg. TCO Appa futures : Apr (\$2.653/Dth); May (\$2.762/Dth); Jun (\$2.847/Dth)  
 = \$2.754/Dth x .8 = \$2.7035/Dth < \$3.000/Dth therefore \$3.000/Dth

\*\* L&U is on-going issue due to unmetered connections.

**BTU Gas Company, Inc. - GAS COST RECOVERY RATE**

Schedule IV  
Estimated Adjustment

For the 2 month period ending: December 31, 2011

<u>Particulars</u>	<u>Unit</u>	<u>Month 1</u>		<u>Month 2</u>	
		<u>Nov-11</u>		<u>Dec-11</u>	
Actual Supply Volumes Purchased	Mcf	7,550		12,217	0
Actual Cost of Volumes Purchased	\$	\$ 33,137		\$ 55,557	\$ -
(divide by) Total Sales (based on actual L&U)	Mcf	2,890		5,632	0
(equals) Unit Cost of Gas	\$/Mcf	\$ 11.4661		\$ 9.8645	
(minus) EGC in effect for month	\$/Mcf	\$ 4.2999		\$ 4.2999	\$ -
(equals) Difference	\$/Mcf	\$ 7.1662		\$ 5.5646	\$ -
(times) Actual sales during month	Mcf	2,890		5,632	0
(equals) Monthly cost difference	\$	\$ 20,710		\$ 31,340	\$ -

	<u>Unit</u>	<u>Amount</u>
Estimated cost difference	\$	\$ 52,050
(÷ by) Sales for 3 Months ended: <u>December 31, 2011</u>	Mcf	11,196
(equals) Estimated Adjustment for the Reporting Period		\$ 4.6490
(plus) Over-recovery component from collections through expired AAs		\$ -
(equals) Total Estimated Adjustment for the Reporting Period (to Schedule I C)		\$ 4.6490