

**BELFRY GAS COMPANY, INC.**

Post Office Box 504

Allen, KY 41601

(606) 874-2846

March 8, 2007

**RECEIVED**

**MAR 12 2007**

**PUBLIC SERVICE  
COMMISSION**

Public Service Commission  
Attn: Beth O'Donnell  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

Dear Ms. O'Donnell:

*Case No. 2007-00106*

Please find enclosed Belfry Gas Company's PGA for April 1, 2007, thru July 1, 2007.

If you have any further questions, please feel free to contact me at the above address or telephone number.

Sincerely,

*Stephen G. Jenkins*

Stephen G. Jenkins, Manager  
Belfry Gas Company, Inc.

Enclosure

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MAR 12 2007

PUBLIC SERVICE  
COMMISSION

BELFRY GAS COMPANY INC.

QUARTERLY REPORT OF GAS COST  
RECOVERY RATE CALCULATION

Date Filed:

MARCH 8, 2007

Date Rates to be Effective:

APRIL 1, 2007

Reporting Period is Calendar Quarter Ended:

DECEMBER 31, 2006

SCHEDULE I

GAS COST RECOVERY RATE SUMMARY

<u>Component</u>	<u>Unit</u>	<u>Amount</u>
Expected Gas Cost (EGC)	\$/Mcf	\$ 8.6629
+ Refund Adjustment (RA)	\$/Mcf	0
+ Actual Adjustment (AA)	\$/Mcf	.0586
+ Balance Adjustment (BA)	\$/Mcf	0
= Gas Cost Recovery Rate (GCR)	\$/Mcf	\$ 8.7215

GCR to be effective for service rendered from APRIL 1, 2007 to JUNE 30, 2007

<b>A.</b>	<u>EXPECTED GAS COST CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Total Expected Gas Cost (Schedule III)	\$	366,174
	+ Sales for the 12 months ended <u>December 31, 2006</u>	Mcf	42,269
	= Expected Gas Cost (EGC)	\$/Mcf	8.6629
<b>B.</b>	<u>REFUND ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Supplier Refund Adjustment for Reporting Period (Sch. III)	\$/Mcf	0
	+ Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	+ Second Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	+ Third Previous Quarter Supplier Refund Adjustment	\$/Mcf	0
	= Refund Adjustment (RA)	\$/Mcf	0
<b>C.</b>	<u>ACTUAL ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Actual Adjustment for the Reporting Period (Schedule IV)	\$/Mcf	.0546
	+ Previous Quarter Reported Actual Adjustment	\$/Mcf	.0109
	+ Second Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0004)
	+ Third Previous Quarter Reported Actual Adjustment	\$/Mcf	(.0065)
	= Actual Adjustment (AA)	\$/Mcf	.0586
<b>D.</b>	<u>BALANCE ADJUSTMENT CALCULATION</u>	<u>Unit</u>	<u>Amount</u>
	Balance Adjustment for the Reporting Period (Schedule V)	\$/Mcf	0
	+ Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	+ Second Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	+ Third Previous Quarter Reported Balance Adjustment	\$/Mcf	0
	= Balance Adjustment (BA)	\$/Mcf	0

SCHEDULE II  
EXPECTED GAS COST

Actual\* Mcf Purchases for 12 months ended DECEMBER 31, 2006

(1) <u>Supplier</u>	(2) <u>Dth</u>	(3) Btu <u>Conversion Factor</u>	(4) <u>Mcf</u>	(5)** <u>Rate</u>	(6) <u>(4)x(5) Cost</u>
KINUAG DEVELOPMENT COMPANY, LLC	35,515	1.20	42,618	8.592	\$ 366,174

Totals	<u>35,515</u>		<u>42,618</u>		<u>\$ 366,174</u>
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Line loss for 12 months ended DECEMBER 31, 2006 is .8190 % based on purchases of 42,618 Mcf and sales of 42,269 Mcf.

	<u>Unit</u>	<u>Amount</u>
Total Expected Cost of Purchases (6)	\$	366,174
+ Mcf Purchases (4)	Mcf	<u>42,618</u>
= Average Expected Cost Per Mcf Purchased	\$/Mcf	8.5920
x Allowable Mcf purchases (must not exceed Mcf sales + .95)	Mcf	<u>42,618</u>
* Total Expected Gas Cost (to Schedule IA.)	\$	366,174

\*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.  
\*\*Supplier's tariff sheets or notices are attached.

SCHEDULE III  
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended DECEMBER 31, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
Total supplier refunds received	\$	0
<u>+ Interest</u>	\$	<u>0</u>
= Refund Adjustment including interest	\$	0
<u>+ Sales for 12 months ended</u>	Mcf	<u>0</u>
= Supplier Refund Adjustment for the Reporting Period (to Schedule IB.)	\$/Mcf	0

SCHEDULE IV  
ACTUAL ADJUSTMENT

For the 3 month period ended DECEMBER 31, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Month 1 (OCT)</u>	<u>Month 2 (NOV)</u>	<u>Month 3 (DEC)</u>
Total Supply Volumes Purchased	Mcf	1501	4174	6304
Total Cost of Volumes Purchased	\$	13,203	36,715	55,450
+ Total Sales (may not be less than 95% of supply volumes)	Mcf	1391	4024	6299
= Unit Cost of Gas	\$/Mcf	9.4917	9.1240	8.8030
- EGC in effect for month	\$/Mcf	8.7981	8.7981	8.7981
= Difference [(Over-)/Under-Recovery]	\$/Mcf	.6936	.3259	.0049
x Actual sales during month	Mcf	1391	4024	6299
= Monthly cost difference	\$	964.7976	1,311.4216	30.8651

	<u>Unit</u>	<u>Amount</u>
Total cost difference (Month 1 + Month 2 + Month 3)	\$	2,307.08
+ Sales for 12 months ended <u>DECEMBER 31, 2006</u>	Mcf	42,269
= Actual Adjustment for the Reporting Period (to Schedule IC.)	\$/Mcf	.05458

SCHEDULE V  
BALANCE ADJUSTMENT

For the 3 month period ended DECEMBER 31, 2006

<u>Particulars</u>	<u>Unit</u>	<u>Amount</u>
(1) Total Cost Difference used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the AA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the AA was in effect.	\$	
Equals: Balance Adjustment for the AA.	\$	_____
(2) Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the RA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the RA was in effect.	\$	
Equals: Balance Adjustment for the RA.	\$	_____
(3) Total Balance Adjustment used to compute BA of the GCR effective four quarters prior to the effective date of the currently effective GCR.	\$	
Less: Dollar amount resulting from the BA of _____ \$/Mcf as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of _____ Mcf during the 12-month period the BA was in effect.	\$	
Equals: Balance Adjustment for the BA.	\$	_____
 Total Balance Adjustment Amount (1) + (2) + (3)	 \$	
+ Sales for 12 months ended _____	Mcf	_____
 = Balance Adjustment for the Reporting Period (to Schedule ID.)	 \$/Mcf	 ○

**KINHAG DEVELOPMENT COMPANY, LLC**

P. O. BOX 155  
ALLEN, KY 41601

February 28, 2007

Belfry Gas Company, Inc.  
P.O. Box 504  
Allen, KY 41601

RE: Gas Purchase Contract

Gentlemen:

This is to notify you that there will be a gas price adjustment effective April 1, 2007. Your company will be charged a cost of \$8.5920 per MCF delivered. This amount is calculated based on the terms of the contract between Belfry Gas Company, Inc., and Kinthag Development Company, LLC, and the most current FERC Index as of February 14, 2007. Enclosed is a copy of the NYMEX summary, with the Index indicated at the bottom.

Sincerely,

**KIHAG Development Company, LLC**

Enclosure

NYMEX

14 February 07 - Settle

Month	Price	Change	Highest	Lowest
Mar.	7.241	-.126	15.287	1.249
Apr.	7.308	-.132	11.508	1.418
May	7.397	-.132	11.158	1.596
June	7.494	-.129	11.180	1.685
July	7.613	-.122	11.213	1.517
Aug.	7.710	-.115	11.253	1.385
Sept.	7.768	-.112	11.243	1.484
Oct.	7.878	-.112	13.907	1.406
Nov.	8.483	-.097	14.338	1.772
Dec.	9.048	-.067	14.764	1.661
Jan.	9.363	-.067	15.378	1.639
Feb.	9.363	-.067	15.427	1.046

Ave. = 8.0555

$8.055 + .28 = 8.3355$

ALL TIME HIGH 12.7018

MAR. CRUDE 58.00 -1.06

ALL TIME HIGH 77.03

DOW 12,741.86 +87.01

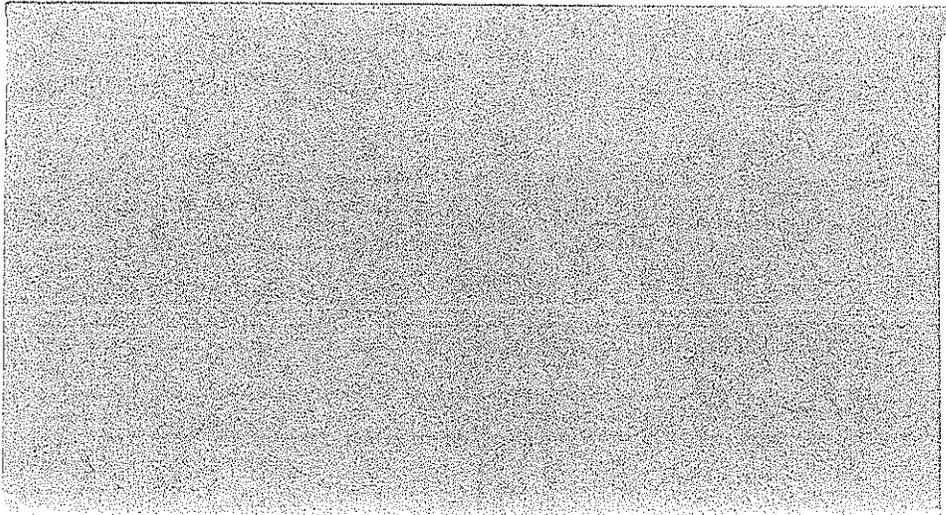
ALL TIME HIGH 12,741.86

NASDAC 2,488.38 +28.50

22 Feb. through 28 Feb. - The Northeast and the Southwest will be warmer than normal.

INSIDE FERC INDICES FOR FEBRUARY  
 COLUMBIA APPALACHIA = \$7.06  
 COLUMBIA GULF ONSHORE LA. = \$6.86  
 BASIS = \$.20  
 TENN. LA 800 LEG = 6.84  
 DOMINION TRANS. (APPAL) = \$7.26

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Allen, KY 41601



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