

Dinsmore & Shohl LLP
ATTORNEYS

John E. Selent
502-540-2315
john.selent@dinslaw.com

September 3, 2010

RECEIVED

SEP 07 2010

PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

Hon. Jeff R. Derouen
Executive Director
Public Service Commission
211 Sower Blvd.
P. O. Box 615
Frankfort, KY 40602-0615

Re: Application of Chesapeake Appalachia, L.L.C., Pursuant to KRS 278.485 and 807 KAR 5:026, for Adjustment of Rates for Gas Service Provided by Its Farm Tap System and Proposed Tariff

Dear Mr. Derouen:

Enclosed for filing are one original and eleven (11) copies of the following:

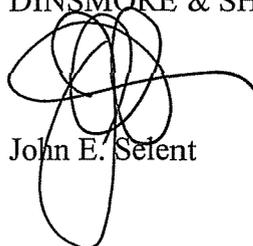
- (1) Application of Chesapeake Appalachia, L.L.C., Pursuant to KRS 278.485 and 807 KAR 5:026, for Adjustment of Rates for Gas Service Provided by Its Farm Tap System; and
- (2) The proposed revisions to Chesapeake Appalachia, L.L.C.'s tariff.

Please file-stamp one copy of each and return it to our courier.

Thank you, and if you have any questions, please call me.

Very truly yours,

DINSMORE & SHOHL LLP



John E. Selent

JES/bmt
Enclosures

802441_1
50951-2

1400 PNC Plaza, 500 West Jefferson Street Louisville, KY 40202
502.540.2300 502.585.2207 fax www.dinslaw.com

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

RECEIVED

SEP 07 2010

PUBLIC SERVICE
COMMISSION

In the Matter of:

**APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND 807 KAR 5:026, FOR)
ADJUSTMENT OF RATES FOR GAS)
SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)**

Case No. _____

APPLICATION TO ADJUST RATES

Chesapeake Appalachia, L.L.C. ("Chesapeake") respectfully applies to the Public Service Commission of Kentucky, pursuant to KRS 278.485 and 807 KAR 5:026, for an adjustment to its rates for gas service provided by its farm tap system. In support thereof, Chesapeake states as follows:

1. Chesapeake is an Oklahoma limited-liability company with its business offices located at 6100 N. Western Avenue, Oklahoma City, Oklahoma 73118. Chesapeake currently has 515 customers served by 197 miles of gathering system in Magoffin, Floyd, Letcher, Knott, Lawrence, and Perry Counties in Kentucky. There are 228 active wells servicing these customers.
2. Attached as Exhibit A to this application is a certificate of good standing and certified copy of Chesapeake's articles of organization.
3. Chesapeake transmits gas from its gas wells through its gathering system for transmission in interstate commerce. It provides service to farm tap customers only pursuant to KRS 278.485, and it does not otherwise provide retail service to the public.

4. Columbia Natural Resources, LLC (“Columbia”) was acquired by Chesapeake on November 14, 2005, and merged into Chesapeake on February 1, 2006. A copy of the certificate of merger is attached as Exhibit B.

5. At the time Columbia was merged into Chesapeake, Columbia had a farm tap tariff in effect, which was approved as effective by the Commission on October 1, 1992. A copy of the tariff is attached as Exhibit C.

6. Like Chesapeake, Columbia provided service to farm tap customers only pursuant to KRS 278.485, and it did not otherwise provide retail service to the public.

7. On August 24, 2010, Chesapeake filed a notice of adoption of Columbia’s farm tap tariff. A copy of this notice is attached as Exhibit D.

8. Neither Columbia nor Chesapeake has applied to the Commission for a rate increase in nearly 18 years. Because of a rise in the cost of natural gas over that time period, Chesapeake seeks to increase its rate for natural gas from \$4.3292 per Mcf to \$8.4899 per Mcf, an increase of 96.1%. Chesapeake’s rates were last adjusted by Order of the Commission dated October 1, 1992 (prior to Columbia Natural Resources, LLC's merger into Chesapeake). A copy of the proposed tariff is attached as Exhibit E.

9. The notice of this application, required by 807 KAR 5:026, Section 9(1)(d), was mailed to all affected customers on August 13, 2010. A copy of this notice is attached hereto as Exhibit F.

10. 807 KAR 5:026, Section 9 allows a gas company to request an adjustment in retail rates if: (1) the percentage change in rates does not exceed the percentage change in the

price index¹ during the most recent 12-month period immediately preceding the date the proposed tariff is filed; and (2) the proposed rate does not exceed the highest average volumetric rate of a local gas distribution utility approved by the Commission and in effect on the date the proposed tariff is filed.

11. The percentage change in the price index, as defined by the Commission, during the most recent 12-month period was -2.3%. The highest average volumetric rate of a local gas distribution approved by the Commission, currently in effect, is \$16.2648 per Mcf. *See* May 27, 2010 Ltr. from Pub. Serv. Comm'n Executive Director J. DeRouen to J. Selent (attached as Exhibit G).

12. Chesapeake seeks to increase its farm tap rates in this application. Because Chesapeake's proposed percentage increase exceeds the percentage change in the price index, but the proposed rate is below the highest prevailing gas rate approved by the Commission, Chesapeake is required to submit its costs to provide service in each of the previous two (2) years and the data must be current within ninety (90) days of the date the proposed tariff is filed. 807 KAR 5:026, Section 9(1)(b).

13. Unlike other gas pipeline companies that supply farm tap service, Chesapeake does not provide direct customer service for farm tap customers, but contracts with Columbia Gas of Kentucky, Inc. to provide services that include meter reading, billings, service calls, and requests for new service. A copy of the letter of understanding between Columbia Gas of Kentucky, Inc. and the former Columbia Natural Resources, LLC for such service is attached as Exhibit H. The current tariff in effect (attached as Exhibit D) also notes that "[m]eter readings and billings will be performed by Columbia Gas of Kentucky, Inc."

¹ 807 KAR 5:026 defines price index as the average of the producer price index - utility natural gas for the most recent 12-month period as published monthly by the United States Department of Labor, Bureau of Labor Statistics.

14. Chesapeake's rate of \$8.4899 per Mcf is based upon the following components:

12 month NYMEX Strip Rate ² (Attached as Exhibit I)	\$4.9758/Dth
Appalachian Differential (2 year historical average) (Attached as Exhibit J)	<u>\$0.2029/Dth</u>
Total Gas Cost per Dth	\$5.1787/Dth
BTU Conversion based upon Btu/cf	<u>x 1.2468</u>
Total Gas Cost per Mcf	\$6.4568/Mcf
Columbia Gas of Kentucky, Inc. Service Billings (12 month average for month ended May 2010) ³	\$2.0331/Mcf
TOTAL:	\$8.4899/Mcf

15. Chesapeake has computed its service billings from Columbia Gas of Kentucky, Inc. based upon invoices to Chesapeake divided by farm tap volume over the previous two year period. A summary of monthly service invoices from Columbia Gas of Kentucky, Inc. for the previous two years is attached as Exhibit K, and a summary of monthly farm tap volume is attached as Exhibit L. The average monthly costs for the most recent 12-month period, ended May 2010, was \$2.0331/Mcf, and the average monthly costs for the previous 12-month period, ended May 2009, was \$2.5337/Mcf. Columbia Gas of Kentucky, Inc. does not supply cost information solely for farm tap customers paying the applicable tariff rate of \$4.3292, but also includes service costs for farm tap customers receiving free gas. Thus, Chesapeake's proposed rate is computed by dividing its total monthly invoice costs by the total tap volume for both farm tap customers paying the applicable tariff rate and customers receiving free gas.

² The Commission has noted that since natural gas prices have been volatile since 2000, it has approved of the pricing method based upon the NYMEX future rate because it is more representative of current gas prices than a historical average. See, e.g., *In the Matter of: Application of Bear Fork Gas Co. for Farm Tap Rate Increase*, Case No. 2009-00207 (Ky. Pub. Serv. Comm'n Aug. 19, 2009); *In the Matter of: Application of G.S. Knox Gas Co. to Increase Its Rates and Charges for Providing Farm Tap Service Pursuant to KRS 278.485*, Case No. 2006-00460 (Ky. Pub. Serv. Comm'n Jan. 22, 2007).

³ As required under 807 KAR 5:026, Sec. 9(b), Chesapeake has included with this application its costs to produce gas service over the previous two years, but has used the 12 months ended May 2010 to calculate its proposed rate. It should be noted that Chesapeake's costs were even higher for the 12 months ended May 2009.

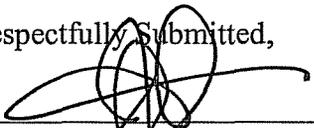
16. It is important to note that Chesapeake's administrative costs of \$2.0331/Mcf are comparable, and on most occasions significantly lower than, the administrative costs of recent gas pipeline companies filing for farm tap rate increases with the Commission, all of which the Commission has approved. See, e.g., *In the Matter of: Application of Bear Fork Gas Co. for Farm Tap Rate Increase*, Case No. 2009-00207 (Ky. Pub. Serv. Comm'n Aug. 19, 2009) (administrative costs of \$3.30/Mcf); *In the Matter of: Application of Holly Creek Production Corporation Pursuant to KRS 278.485 and 807 KAR 5:026 for an Adjustment of Its Retail Rates for Gas Service Provided by Its Farm Tap System*, Case No. 2007-00007 (Ky. Pub. Serv. Comm'n May 31, 2007) (administrative costs of \$2.02/Mcf); *In the Matter of: Application of G.S. Knox Gas Co. to Increase Its Rates and Charges for Providing Farm Tap Service Pursuant to KRS 278.485*, Case No. 2006-00460 (Ky. Pub. Serv. Comm'n Jan. 22, 2007) (administrative costs of \$3.12/Mcf).

17. Communications regarding this Application should be addressed to:

Carie M. Jones
Chesapeake Appalachia, L.L.C.
6100 N. Western Avenue
Oklahoma City, Oklahoma 73118
Phone: (405) 935-6264
Fax: (405) 849-6264

John E. Selent
Dinsmore & Shohl LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Phone: (502) 540-2300
Fax: (502) 585-2207

Respectfully Submitted,



John E. Selent
DINSMORE & SHOHL LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, Kentucky 40202
Phone: (502) 540-2300
Fax: (502) 585-2207
Counsel to Chesapeake Appalachia, L.L.C.

CERTIFICATE OF SERVICE

I hereby certify that a true and accurate copy of this Application was served via first-class United States Mail, postage prepaid, on this 3rd day of September, 2010, upon:

Kentucky Attorney General's Office
Office of Rate Intervention
Suite 200
1024 Capital Center Drive
Frankfort, Kentucky 40601-8204



Counsel to Chesapeake Appalachia, L.L.C.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND KAR 5:026, FOR AN)
ADJUSTMENT OF RETAIL RATES FOR)
GAS SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)

Case No. _____

EXHIBIT A

OFFICE OF THE SECRETARY OF STATE



**CERTIFICATE OF GOOD STANDING
DOMESTIC LIMITED LIABILITY COMPANY**

I, THE UNDERSIGNED, Secretary of State of the State of Oklahoma, do hereby certify that I am, by the laws of said state, the custodian of the records of the state of Oklahoma relating to the right of certain business entities to transact business in this state and am the proper officer to execute this certificate.

I FURTHER CERTIFY that CHESAPEAKE APPALACHIA, L.L.C. whose registered agent is THE CORPORATION COMPANY, with its registered office at 1833 S MORGAN RD OKLAHOMA CITY 73128 USA Oklahoma is a Domestic Limited Liability Company duly organized and existing under and by virtue of the laws of the state of Oklahoma and is in good standing according to the records of this office. This certificate is not to be construed as an endorsement, recommendation or notice of approval of the entity's financial condition or business activities and practices. Such information is not available from this office.



IN TESTIMONY WHEREOF, I hereunto set my hand and affixed the Great Seal of the State of Oklahoma, done at the City of Oklahoma City, this 26th, day of July, 2010.

M. Susan Sawyer

Secretary Of State

OFFICE OF THE SECRETARY OF STATE



**CERTIFICATE
OF
LIMITED LIABILITY COMPANY**

WHEREAS, the Articles of Organization of

CHESAPEAKE APPALACHIA, L.L.C.

an Oklahoma limited liability company has been filed in the office of the Secretary of State as provided by the laws of the State of Oklahoma.

NOW THEREFORE, I, the undersigned, Secretary of State of the State of Oklahoma, by virtue of the powers vested in me by law, do hereby issue this certificate evidencing such filing.

IN TESTIMONY WHEREOF, I hereunto set my hand and cause to be affixed the Great Seal of the State of Oklahoma.



*Filed in the city of Oklahoma City this
10th day of November, 2005.*

M. Susan Savage

Secretary of State

OFFICE OF THE SECRETARY OF STATE



CERTIFIED COPY OF ONE PARTICULAR
DOCUMENT

CERTIFICATE

I THE UNDERSIGNED, Secretary of State, of the State of Oklahoma do hereby certify that, to the date of this certificate, the attached is a true and correct copy of the document on file as described below of:

NAME OF ENTITY
CHESAPEAKE APPALACHIA, L.L.C.

DOCUMENT TYPE
Articles of Organization

DOCUMENT FILING DATE
November 10, 2005



IN TESTIMONY WHEREOF, I hereunto set my hand and affixed the Great Seal of the State of Oklahoma, done at the City of Oklahoma City, this 26th, day of July, 2010.

M. Susan Savage

Secretary Of State



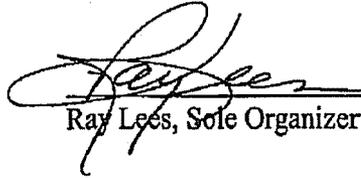
ARTICLES OF ORGANIZATION
OF
CHESAPEAKE APPALACHIA, L.L.C.

The undersigned, as sole organizer of a limited liability company, does hereby adopt the following Articles of Organization of Chesapeake Appalachia, L.L.C., pursuant to the Oklahoma Limited Liability Company Act, as amended from time to time (the "Act"):

1. Name. The name of the company is Chesapeake Appalachia, L.L.C. (the "Company").
2. Term. The Company will commence on the date of filing of these Articles of Organization with the Secretary of State of Oklahoma and will continue perpetually until: (a) the dissolution of the Company in accordance with the Act, or (b) the dissolution of the Company in accordance with the provisions of any agreement (the "Operating Agreement") among the members of the Company as to the affairs of the Company or the conduct of the Company's business.
3. Purpose. The purpose of the Company is to engage in any lawful act or activity for which limited liability companies may be organized under the Act.
4. Principal Location. The address of the Company's principal place of business in the State of Oklahoma is 6100 North Western, Oklahoma City, Oklahoma 73118.
5. Resident Agent. The name of the Company's resident agent in the State of Oklahoma is Corporation Company with an address at 735 First National Building, 120 North Robinson, Oklahoma City, Oklahoma 73102.
6. Management. The Company will be managed by one or more managers or officers as provided in the Operating Agreement. Such managers will have the continuing exclusive authority to manage and conduct the business of the Company subject to the restrictions set forth in the Operating Agreement.
7. Limitation of Liability. The members and managers of the Company will not be liable to the Company or its members for monetary damages for the breach of any fiduciary duty or any duty under the Act except personal liability for: (a) the breach of the duty of loyalty to the Company or the Company's members; (b) acts or omissions by such manager or member which are not in good faith, involve intentional misconduct or involve a knowing violation of law; or (c) any transaction for which the manager or the member derived an improper personal benefit. No amendment or repeal of this paragraph 7 will apply to or have any effect on the liability or alleged liability of any member or manager for or with respect to any acts or omissions of such member or manager occurring prior to such amendment or repeal.
8. Indemnity. The Company will indemnify any person who is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding whether civil, criminal, administrative or investigative by reason of the fact that such person is or was a manager,

member, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, manager, employee or agent of another corporation, partnership, joint venture or other enterprise against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the Company. The termination of any such proceeding by judgment, order, settlement, conviction or plea of nolo contendere or its equivalent will not create a presumption that the person did not act in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the Company. With respect to a suit by or in the right of the Company to procure a judgment in its favor the right of indemnification under this paragraph will be limited to the same extent as derivative actions on behalf of a cooperation under the Oklahoma General Corporation Act. Each person is entitled, without demand on the Company or any action by the Company, to enforce the foregoing indemnity in an action at law against the Company. The foregoing right of indemnification is not exclusive of any rights to which any such person may now or hereafter be otherwise entitled.

THE UNDERSIGNED has executed these Articles of Organization this 10th day of November, 2005.


Ray Lees, Sole Organizer

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND KAR 5:026, FOR AN)
ADJUSTMENT OF RETAIL RATES FOR)
GAS SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)**

Case No. _____

EXHIBIT B

OFFICE OF THE SECRETARY OF STATE



CERTIFICATE

I THE UNDERSIGNED, Secretary of State, of the State of Oklahoma do hereby certify that, to the date of this certificate, the attached is a true and correct copy of the document on file as described below of:

NAME OF ENTITY
CHESAPEAKE APPALACHIA, L.L.C.

DOCUMENT TYPE
Articles of Merger

DOCUMENT FILING DATE
February 01, 2006



IN TESTIMONY WHEREOF, I hereunto set my hand and affixed the Great Seal of the State of Oklahoma, done at the City of Oklahoma City, this 1st, day of February, 2006.

M. Susan Savage

Secretary Of State

**CERTIFICATE OF MERGER
OF
COLUMBIA ENERGY RESOURCES, LLC
AND
COLUMBIA NATURAL RESOURCES, LLC
INTO
CHESAPEAKE APPALACHIA, L.L.C.**

Pursuant to Section 2054 of the Oklahoma Limited Liability Company Act,

Chesapeake Appalachia, L.L.C., as the surviving limited liability company, hereby states and certifies as follows:

1. The name of each constituent entity is Columbia Energy Resources, LLC, a Delaware limited liability company, Columbia Natural Resources, LLC, a Delaware limited liability company and Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company.
2. An Agreement of Merger has been approved, adopted, certified, executed and acknowledged by each of the constituent entities pursuant to 2054 of the Oklahoma Limited Liability Company Act.
3. The surviving entity will be Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company.
4. There are no amendments or changes to the certificate of formation of Chesapeake Appalachia, L.L.C. which will continue as the certificate of formation of the surviving entity.
5. The Agreement of Merger is on file at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, the principal place of business of Chesapeake Appalachia, L.L.C..
6. A copy of the Agreement of Merger will be furnished by Chesapeake Appalachia, L.L.C. on request, without cost, to any member of or person holding an interest in the constituent entities.
7. The merger is to become effective upon the filing of this Certificate of Merger.

02/01/2006 02:58 PM
OKLAHOMA SECRETARY OF STATE



SOS



453734002

IN WITNESS WHEREOF, the surviving limited liability company has caused this Certificate of Merger to be executed this 26th day of January, 2006.

CHESAPEAKE APPALACHIA, L.L.C., an Oklahoma
limited liability company

By:



Martha A. Burger, Vice President

Delaware

PAGE 1

The First State

I, HARRIET SMITH WINDSOR, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF MERGER, WHICH MERGES:

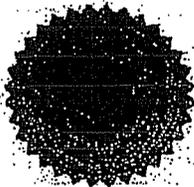
"COLUMBIA ENERGY RESOURCES, LLC", A DELAWARE LIMITED LIABILITY COMPANY,

"COLUMBIA NATURAL RESOURCES, LLC", A DELAWARE LIMITED LIABILITY COMPANY,

WITH AND INTO "CHESAPEAKE APPALACHIA, L.L.C." UNDER THE NAME OF "CHESAPEAKE APPALACHIA, L.L.C.", A LIMITED LIABILITY COMPANY ORGANIZED AND EXISTING UNDER THE LAWS OF THE STATE OF OKLAHOMA, AS RECEIVED AND FILED IN THIS OFFICE THE FIRST DAY OF FEBRUARY, A.D. 2006, AT 3:17 O'CLOCK P.M.

4103538 8100M

060097086



Harriet Smith Windsor
Harriet Smith Windsor, Secretary of State

AUTHENTICATION: 4493303

DATE: 02-01-06

State of Delaware
Secretary of State
Division of Corporations
Delivered 03:17 PM 02/01/2006
FILED 03:17 PM 02/01/2006
SRV 060097086 - 3697299 FILE

**CERTIFICATE OF MERGER
OF
COLUMBIA ENERGY RESOURCES, LLC
AND
COLUMBIA NATURAL RESOURCES, LLC
INTO
CHESAPEAKE APPALACHIA, L.L.C.**

Pursuant to Section 18-209 of the Delaware Limited Liability Company Act

The undersigned constituent entities each hereby states and certifies as follows:

FIRST: The name of each constituent entity is Columbia Energy Resources, LLC, a Delaware limited liability company, Columbia Natural Resources, LLC, a Delaware limited liability company and Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company.

SECOND: An Agreement of Merger has been approved, adopted, certified, executed and acknowledged by each of the constituent entities pursuant to 2054 of the Oklahoma Limited Liability Company Act and Section 18-209 of the Delaware Limited Liability Company Act.

THIRD: The surviving entity will be Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company.

FOURTH: There are no amendments or changes to the certificate of formation of Chesapeake Appalachia, L.L.C. which will continue as the certificate of formation of the surviving entity.

FIFTH: The Agreement of Merger is on file at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118, the principal place of business of Chesapeake Appalachia, L.L.C..

SIXTH: A copy of the Agreement of Merger will be furnished by Chesapeake Appalachia, L.L.C. on request, without cost, to any member of or person holding an interest in the constituent entities.

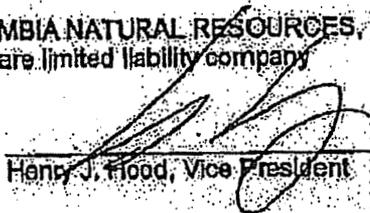
SEVENTH: The surviving entity, Chesapeake Appalachia, L.L.C., an Oklahoma limited liability company, agrees that it may be served with process in the State of Delaware in any action, suit or proceeding for the enforcement of any obligation of Columbia Energy Resources, LLC, a Delaware limited liability company and Columbia Natural Resources, LLC, a Delaware limited liability company which is merging into it and irrevocably appoints the Secretary of State as its agent to accept service of process in any such action, suit or proceeding; a copy of such process shall be mailed to it by the Secretary of State at 6100 North Western Avenue, Oklahoma City, Oklahoma 73118.

EIGHTH: The merger is to become effective upon the filing of this Certificate of Merger.

IN WITNESS WHEREOF, the undersigned constituent entities have caused this Certificate of Merger to be executed this 26th day of January, 2008.

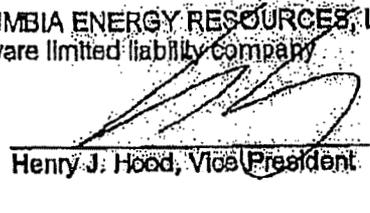
COLUMBIA NATURAL RESOURCES, LLC, a
Delaware limited liability company

By:


Henry J. Hood, Vice President

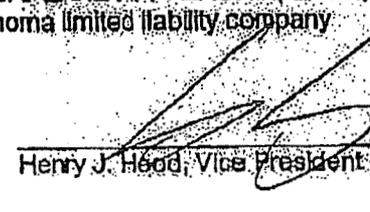
COLUMBIA ENERGY RESOURCES, LLC, a
Delaware limited liability company

By:


Henry J. Hood, Vice President

CHESAPEAKE APPALACHIA, L.L.C., an
Oklahoma limited liability company

By:


Henry J. Hood, Vice President

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND KAR 5:026, FOR AN)
ADJUSTMENT OF RETAIL RATES FOR)
GAS SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)**

Case No. _____

EXHIBIT C



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

RECEIVED
OCT 13 1992
JO ELLEN DIEHL YEARY

October 6, 1992

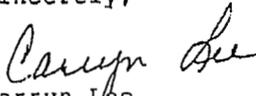
Ms. Jo Ellen Diehl Yeary
Columbia Natural Resources, Inc.
P. O. Box 6070
Charleston, West Virginia 25362-0070

RE: Tariff Filing

Dear Ms. Yeary:

The above referenced tariff revision has been received and reviewed without objection. An accepted copy is enclosed for your files.

Sincerely,


Carryn Lee
Public Utility Rate Analyst
Division of Research

/bt:287

Enclosure

P.S.C. KY No. _____

Cancels P.S.C. KY No. _____

COLUMBIA NATURAL RESOURCES, INC.
900 Pennsylvania Avenue
P.O. Box 6070
Charleston, West Virginia 25362-0070

Rates, Rules and Regulations for Furnishing
Natural Gas under KRS 278.485
at
Boyd, Floyd, Knott, Letcher, Magoffin, Perry and Pike Counties

Filed with PUBLIC SERVICE COMMISSION OF
KENTUCKY

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

ISSUED: _____

Effective: OCT 1, 1992

ISSUED BY: Columbia Natural Resources, Inc.

BY: J. R. Henning

President

Blaine Miller
PUBLIC SERVICE COMMISSION MANAGER

SECTION 9 (1)

For: Boyd, Floyd, Knott, Letcher,
Magoffin, Perry and Pike Counties

P.S.C. No. _____

_____ SHEET No. _____

Columbia Natural Resources, Inc.

CANCELLING P.S.C No. _____

_____ SHEET No. _____

CLASSIFICATION OF SERVICE

RATE
PER UNIT

\$ 4.3292/mcf

Columbia Natural Resources, Inc., ("CNR") will continue the gas service under KRS 278.485 now provided by The Inland Gas Company, Inc., ("Inland"). This tariff will become effective upon the transfer of Inland's production properties to CNR.

All consumers provided the service pursuant to statute will be charged the same rate.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 1 1992

PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

BY: Charles Helle
PUBLIC SERVICE COMMISSION MANAGER

DATE OF ISSUE: _____ DATE EFFECTIVE: _____

ISSUED BY: J.R. Henning TITLE: President

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ dated _____.

FOR _____

P.S.C. KY. No. _____

_____ SHEET No. _____

Columbia Natural Resources, Inc.

CANCELLING P.S.C. KY. No. _____

_____ SHEET No. _____

RULES AND REGULATIONS

Service will be provided in accordance with all applicable rules and regulations of the Kentucky Public Service Commission. Meter readings and billings will be performed by Columbia Gas of Kentucky, Inc.

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE

OCT 1 1992

DATE OF ISSUE: _____
Month Day Year

PURSUANT TO 807 KAR 5:011,
DATE EFFECTIVE: SECTION 9 (1)
BY: _____
Month Day Year
PUBLIC SERVICE COMMISSION MANAGER

ISSUED BY: J. R. Henning President
Name of Officer Title

900 Pennsylvania Avenue
P.O. Box 6070
Charleston, WV 25362-0070
Address

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CHESAPEAKE)
APPALACHIA, L.L.C., PURSUANT TO)
KRS 278.485 AND KAR 5:026, FOR AN)
ADJUSTMENT OF RETAIL RATES FOR)
GAS SERVICE PROVIDED BY ITS FARM)
TAP SYSTEM)

Case No. _____

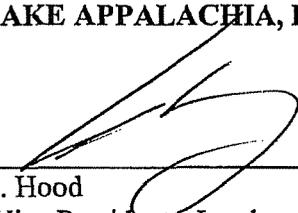
EXHIBIT D

ADOPTION NOTICE

The undersigned, Chesapeake Appalachia, L.L.C. of Oklahoma City, Oklahoma hereby adopts, ratifies, and makes its own, in every respect as if the same had been originally filed and posted by it, all tariffs and supplements containing rates, rules and administrative regulations for furnishing natural gas service at Magoffin, Floyd, Letcher, Knott, Lawrence, and Perry Counties in the Commonwealth of Kentucky, filed with the Public Service Commission by Columbia Natural Resources, LLC of Charleston, West Virginia, and in effect on the 14th day of November, 2005, the date on which the public service business of the said Columbia Natural Resources, LLC was taken over by it.

This notice is issued on the ^{24th} ~~20th~~ day of August, 2010, in conformity with Section 11 of P.S.C. Tariff administrative regulations adopted by the Public Service Commission, and effective *nunc pro tunc*, as of November 14, 2005.

CHESAPEAKE APPALACHIA, L.L.C.

By: 

Henry J. Hood
Senior Vice President - Land and Legal
& General Counsel

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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Case No. _____

EXHIBIT E

For: Boyd, Floyd, Knott, Letcher,
Magoffin, Perry and Pike Counties

P.S.C. KY No. 1
First Revised Sheet No. 2

Canceling P.S.C. KY No. 1
Original Sheet No. 2

RATES AND CHARGES

Chesapeake Appalachia, L.L.C. will continue the gas service under KRS 278.485 formerly provided by Columbia Natural Resources, Inc. ("CNR") This tariff will become effective upon the transfer of CNR's production properties to Chesapeake Appalachia, L.L.C.

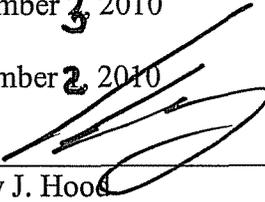
RATE PER UNIT
\$ 4.3292/mcf **\$8.4899/mcf (I)**

All consumers provided the service pursuant to statute will be charged the same rate.

Issued: September **3**, 2010

Effective Date: November **2**, 2010

Issued by:



Henry J. Hood
Senior Vice President - Land and Legal
& General Counsel
Chesapeake Appalachia, L.L.C.

By the Authority of Order of the Public Service Commission
in Case No. 2010-____ dated _____ 2010.

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EXHIBIT F

Chesapeake Appalachia, L.L.C.
414 Summers Street
P. O. Box 6070
Charleston, WV 25302

August 13, 2010

NOTICE OF PROPOSED RATE CHANGE

Chesapeake Appalachia, L.L.C. has filed a request with the Public Service Commission to increase its rates. The rates contained in this notice are the rates proposed by Chesapeake Appalachia, L.L.C. However, the Public Service Commission may order rates to be charged that differ from the rates in this notice.

Any corporation, association, body politic, or person may file written comments or a written request for intervention within thirty (30) days of the date of this notice with the Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky 40602

Copies of the request for an increase may be obtained by contacting the gas company at its South District Southwest Operating Area Office located at 213 Industrial Road, Debord, Kentucky 41214-8810. A copy of the request for an increase in rates is available for public inspection at this address.

<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Estimated Monthly Increase</u>
\$4.3292/Mcf	\$8.4899/Mcf	\$32.29 average per customer

Bills to customers will continue to be rendered in the usual manner. All rates are subject to all applicable taxes.

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GAS SERVICE PROVIDED BY ITS FARM)
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EXHIBIT G



Steven L. Beshear
Governor

Leonard K. Peters
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

David L. Armstrong
Chairman

James Gardner
Vice-Chairman

Charles R. Borders
Commissioner

May 27, 2010

John E. Selent
Dinsmore & Shohl, LLP
1400 PNC Plaza
500 West Jefferson Street
Louisville, KY 40202

RE: Request for producer price index and highest prevailing rate pursuant to 807 KAR 5:026

Dear Mr. Selent,

In response to your letter of May 24, 2010, the percentage change in the producer price index-utility natural gas (PPI 05-5) for the most recent 12 month period is -2.3 percent for the period April 2009 to April 2010. This information can be found on the Bureau of Labor Statistics Web site, <http://www.bls.gov/ppi/tables.htm>, PPI Detailed Report Tables, Table 6, Commodity Code 055.

A review of Commission tariffs shows that the highest average volumetric rate of a local gas distribution utility approved by the Commission is \$16.2648 per Mcf.

This information is provided pursuant to 807 KAR 5:026, Section 9. If you have any questions, please contact Leah Faulkner of the Commission's Division of Financial Analysis at (502)564-3940.

Sincerely,

Jeff DeRouen
Executive Director

**COMMONWEALTH OF KENTUCKY
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Case No. _____

EXHIBIT H

COLUMBIA
Natural Resources



J. R. Henning
President &
Chief Executive Officer

July 17, 1992

Columbia Gas of Kentucky, Inc.
200 Civic Center Drive
Columbus, OH 43215

Attention: Richard J. Gordon, President

This letter will confirm the understanding between Columbia Gas of Kentucky, Inc. (CKY) and Columbia Natural Resources, Inc. (CNR), pursuant to which CKY has agreed to provide, on behalf of CNR, certain services for CNR's statutory customers served pursuant to KRS 278.485 and free gas consumers located in the state of Kentucky who were previously customers of the Inland Gas Company and for whom CKY previously performed such services. Such customer services shall be rendered effective with the transfer of the facilities serving the aforementioned customers from Inland Gas Company to CNR and shall include, without limitation, meter reading, billings, service calls and requests for new service. (For new request for gas service, CNR's Request For Conditional Limited Time Gas Service Form 3242 will be completed by CKY and forwarded to CNR for review.)

CKY shall supply each month to the Free Gas Administrator of CNR a report detailing CKY's customer service activities during the preceding month. In addition, ~~CKY shall immediately notify the Manager of Production, Southwest Region,~~ or in the event of his unavailability, the Director of Production Operations, of any accidents involving CNR's facilities which cause either property damage or personal injury. Such notification shall be made at the earliest possible time. CKY's records with respect to the customer services rendered on behalf of CNR shall be kept available for inspection by CNR at reasonable times.

Services rendered by CKY on CNR's behalf shall be provided at cost. As soon as practicable after the close of each month during which services are provided, CKY shall bill CNR for the cost of same together with such reasonable detail as may be requested and CNR shall pay such bill within 30 days of its receipt. All books and records relating to such charges will be kept available for inspection at reasonable times.

This agreement shall continue in effect until terminated by either party upon 30 days' written notice. It is understood, however, that this agreement shall be subject to termination or modification at any time to the extent that its performance may conflict with the provisions of the Public Utility Holding Company Act of 1935, as amended, or any rule, regulation, or order of the Securities and Exchange Commission adopted or promulgated prior or subsequent to the making of this agreement, and it is further understood that this agreement

Columbia Natural Resources, Inc., 900 Pennsylvania Avenue, P.O. Box 6070
Charleston, West Virginia 25362-0070 Telephone: (304) 353-5100

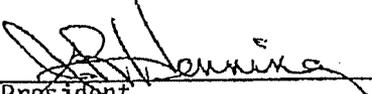
Columbia Gas of Kentucky, Inc.
July 17, 1992
Page 2

shall be subject to the rules, orders and regulations of such state or federal regulatory bodies or agencies as may have jurisdiction in the premises.

If the foregoing correctly represents your interpretation of the understanding between our two companies, please execute both copies of this letter in the space provided below and return one copy to me.

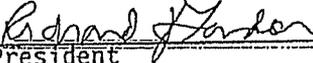
Very truly yours,

COLUMBIA NATURAL RESOURCES, INC.

By 
President

Accepted and Agreed to this 20th
day of July, 1992.

COLUMBIA GAS OF KENTUCKY, INC.

By 
President

JRH/jc

temp\fl008.jey

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Case No. _____

EXHIBIT I

EXHIBIT I - 12-MONTH NYMEX FUTURES STRIP RATE AS OF JULY 9, 2010

**NYMEX Henry Hub
gas futures contract,
Jul 9**

	<u>Dth</u>			
Aug-10	4.402			
Sep-10	4.418			
Oct-10	4.498			
Nov-10	4.844			
Dec-10	5.181			
Jan-11	5.352			
Feb-11	5.328			
Mar-11	5.238			
Apr-11	5.055			
May-11	5.075			
Jun-11	5.127			
Jul-11	5.192	4.9758	average twelve months ending	Jul-11

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EXHIBIT J

EXHIBIT J - 24-MONTH APPALACHIAN DIFFERENTIAL (TCO BASIS PER DTH)

PER INSIDE FERC GAS MARKET REPORT, FIRST MONTHLY PUBLICATION

PRODUCTION MONTH	NYMEX SETTLE	TCO APPAL INDEX	CALCULATED BASIS/PREMIUM		
MAY08	\$ 11.280	\$ 11.800	\$ 0.5200		
JUN08	\$ 11.916	\$ 12.360	\$ 0.4440		
JUL08	\$ 13.105	\$ 13.540	\$ 0.4350		
AUG08	\$ 9.217	\$ 9.630	\$ 0.4130		
SEP08	\$ 8.394	\$ 8.590	\$ 0.1960		
OCT08	\$ 7.472	\$ 7.680	\$ 0.2080		
NOV08	\$ 6.469	\$ 6.740	\$ 0.2710		
DEC08	\$ 6.888	\$ 7.130	\$ 0.2420		
JAN09	\$ 6.136	\$ 6.440	\$ 0.3040		
FEB09	\$ 4.476	\$ 4.850	\$ 0.3740		
MAR09	\$ 4.056	\$ 4.320	\$ 0.2640		
APR9	\$ 3.631	\$ 3.870	\$ 0.2390		
MAY09	\$ 3.321	\$ 3.580	\$ 0.2590		
JUN09	\$ 3.538	\$ 3.660	\$ 0.1220		
JUL09	\$ 3.949	\$ 4.100	\$ 0.1510		
AUG09	\$ 3.379	\$ 3.480	\$ 0.1010		
SEP09	\$ 2.843	\$ 2.910	\$ 0.0670		
OCT09	\$ 3.730	\$ 3.770	\$ 0.0400		
NOV09	\$ 4.289	\$ 4.470	\$ 0.1810		
DEC09	\$ 4.486	\$ 4.660	\$ 0.1740		
JAN10	\$ 5.814	\$ 6.050	\$ 0.2360		
FEB10	\$ 5.274	\$ 5.530	\$ 0.2560		
MAR10	\$ 4.816	\$ 5.000	\$ 0.1840		
				Dth	
					average for 24-month period ending APR10
APR10	\$ 3.842	\$ 3.990	\$ 0.1480	\$0.2429	
MAY10	\$ 4.271	\$ 4.400	\$ 0.1290		
JUN10	\$ 4.155	\$ 4.310	\$ 0.1550		
					average for 24-month period ending JUL10
JUL10	\$ 4.155	\$ 4.310	\$ 0.1550	\$0.2029	

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EXHIBIT K

EXHIBIT K - SERVICE CHARGES FROM COLUMBIA GAS OF KENTUCKY, INC.

<i>Process Date</i>	<i>Service Charges from Columbia Gas of Kentucky, Inc.</i>
June 2008	\$ 15,323.32
July 2008	11,805.08
August 2008	16,923.46
September 2008	16,744.68
October 2008	17,571.02
November 2008	13,000.41
December 2008	20,761.93
January 2009	31,318.12
February 2009	25,302.87
March 2009-1	13,631.77
March 2009-2	10,547.13
April 2009	11,312.12
May 2009	11,018.71
June 2009	10,701.52
July 2009	8,936.06
August 2009	13,108.17
September 2009	8,191.85
October 2009	13,627.86
November 2009	11,856.34
December 2009	26,691.65
January 2010	46,356.97
February 2010	21,950.24
March 2010	13,648.61
April 2010	11,832.06
May 2010	10,877.00

Total for twelve months ended	May 2009:	\$215,261
Total for twelve months ended	May 2010:	\$197,778

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EXHIBIT L

EXHIBIT L - MONTHLY FARM TAP VOLUME

<i>Process Date</i>	<i>Farm Tap Volume (Mcf)</i>
June 2008	3,058
July 2008	1,718
August 2008	1,651
September 2008	1,645
October 2008	1,837
November 2008	7,311
December 2008	13,757
January 2009	15,899
February 2009	14,916
March 2009	11,097
April 2009	8,395
May 2009	3,675
June 2009	3,425
July 2009	1,634
August 2009	2,278
September 2009	1,531
October 2009	2,902
November 2009	6,542
December 2009	12,365
January 2010	17,583
February 2010	24,878
March 2010	12,431
April 2010	8,143
May 2010	3,568

Total for twelve months ended	May 2009:	84,959 Mcf
Total for twelve months ended	May 2010:	97,280 Mcf

For: Boyd, Floyd, Knott, Letcher,
Magoffin, Perry and Pike Counties

P.S.C. KY No. 1
First Revised Sheet No. 2

Canceling P.S.C. KY No. 1
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RATES AND CHARGES

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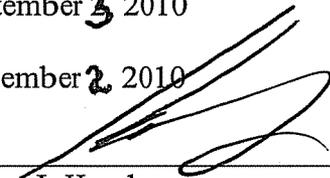
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Issued: September **3** 2010

Effective Date: November **2** 2010

Issued by:




Henry J. Hood
Senior Vice President - Land and Legal
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Chesapeake Appalachia, L.L.C.

By the Authority of Order of the Public Service Commission
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