

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF JOHNSON COUNTY)
GAS COMPANY, INC., TO INCREASE)
ITS RETAIL GAS RATES) CASE NO. 8235-K

O R D E R

On October 29, 1981, the Commission issued its Order in Case No. 8235 approving certain adjustment in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased or decreased.

On October 11, 1982, Johnson County Gas Company, Inc., ("Johnson") notified the Commission that its wholesale cost of gas would be increased by its supplier Kentucky West Virginia Gas Company ("Kentucky West") effective November 1, 1982, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with this Commission.

After reviewing the notice filed in this case and being advised the Commission is of the opinion and finds that:

(1) Johnson's notice of October 11, 1982, set out certain revisions in rates which Johnson proposed to place into effect, said rates being designed to pass on the wholesale increase in cost from its supplier in the amount of \$13,582 or 18.36 cents per Mcf.

(2) Johnson's increase from Kentucky West is another one of those federally-mandated pass-throughs of higher gas prices in which

upon the record this Commission has no discretion. Johnson will not realize even one cent of profit but simply will turn over to its supplier the increased amounts which it must collect from its consumers.

(3) The Public Service Commission is being asked to authorized a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Johnson and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to out Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Johnson, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distribution utility makes no profit from the increased prices

which it must pay for gas purchased from the transmission company,

(4) The proposed rates will allow Johnson to recover only the increased cost of wholesale gas and will not permit it to make any profit in doing so. The magnitude of this filing exposes Johnson to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(5) Johnson's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8235 dated October 29, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after November 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the rate contained in Appendix A be and they are authorized to be effective for gas supplied on and after November 1, 1982, subject to refund.

IT IS FURTHER ORDERED that for the purpose of the future application of the purchased gas adjustment clause the base rate for purchased gas shall be:

	<u>Commodity</u>
Kentucky West Virginia Gas Company	\$3.3520 per Dth
Columbia Gas of Kentucky	5.571 per Mcf

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Johnson shall file with this Commission its revised tariff sheets setting out the rate authorized herein.

Done at Frankfort, Kentucky, this 26th day of October, 1982.

ATTEST:

PUBLIC SERVICE COMMISSION

Secretary



By the Commission

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 8235-K DATED OCTOBER 26,
1982

The following rates prescribed for the customers in the area served by Johnson County Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to date of this Order.

Rates:

Customer Charge	\$3.00
All Mcf	8.8078 per Mcf

Minimum charge is the customer charge.