

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| PURCHASED GAS ADJUSTMENT FILING |) | |
| OF WESTERN LEWIS-RECTORVILLE |) | CASE NO. |
| WATER AND GAS |) | 2016-00313 |

ORDER

On May 12, 1993, in Case No. 1992-00331,¹ the Commission approved rates for gas service for Western Lewis-Rectorville Water and Gas District (“Western Lewis”) and provided for their further adjustment in accordance with Western Lewis’s Gas Cost Adjustment (“GCA”) clause.

On August 29, 2016, Western Lewis filed its proposed Gas Cost Recovery (“GCR”) rate to be effective October 1, 2016. Western Lewis included with its application a request for Commission approval to continue its current method of calculating its Actual Adjustment (“AA”) over 24 months rather than 12 months.

After reviewing the record in this case and being otherwise sufficiently advised, the Commission finds that:

1. Western Lewis’s notice includes revised rates designed to pass on to its customers its expected change in gas costs.
2. Western Lewis’s notice sets out an Expected Gas Cost (“EGC”) of \$6.8580 per Mcf which is a decrease of \$1.4868 per Mcf from its previous EGC of

¹ Case No. 1992-00331, *The Application of Western Lewis-Rectorville for an Adjustment of Rates Pursuant to the Alternative Rate Filing Procedure for Small Utilities* (Ky. PSC May 12, 1993).

\$8.3448 per Mcf. In conformity with our previous order in Case No. 2016-00191,² Western Lewis should continue to request that Atmos Energy marketing provide it with projections closer to those indicated by the market for natural gas.

3. Western Lewis's notice sets out no Refund Adjustment.

4. In order to address the impact of the large negative current quarter AA on its GCR rate, which is exacerbated by the previous quarters' negative AA rates, Western Lewis requested Commission approval to continue to return its current quarter over recoveries over a 24-month period instead of the typical 12-month period. The Commission recognizes the impact that returning relatively large over recoveries over 12 months would have on Western Lewis's recovery of gas cost going forward, and possibly on its day-to-day operations. Given the large current quarter AA that would result from the use of 12 months of sales volume, and the fact that such deviation is not precluded by its GCA tariff, the Commission finds that Western Lewis's request should be granted in order to avoid an adverse impact on its financial condition. Any future use of 24 months instead of 12 months of sales volumes in AA calculations must be specifically requested by Western Lewis and approved by the Commission.

Western Lewis's notice sets out a current quarter AA of (\$.5292) per Mcf. Western Lewis did not use the correct 24-month sales volumes of 73,102 Mcf in calculating its current quarter AA. Western Lewis's corrected current quarter AA is (\$.5278) per Mcf. The resulting total AA is (\$3.0640) per Mcf, which is an increase of \$.2882 per Mcf from its previous total AA of (\$3.3522) per Mcf.

² Case No. 2016-00191, Purchased Gas Adjustment Filing of Western Lewis-Rectorville Water & Gas (Ky. PSC June 30, 2016).

5. Western Lewis's notice sets out a current quarter Balance Adjustment ("BA") of \$1.2893 per Mcf. Western Lewis used an incorrect sales volume of 29,366 Mcf in its calculation rather than the correct 12-month sale volume of 29,566 Mcf. Correcting this as well as an arithmetic error produces a current quarter BA of (\$1.2724) per Mcf. Given the large current quarter total BA that results from the standard use of 12 months of sales volumes, and the fact that such deviation is not precluded by its GCA tariff, the Commission finds that Western Lewis should calculate its current quarter BA using 24 months of sales volumes rather than 12 months in the same manner as approved for the current quarter AA. Western Lewis's corrected and revised current quarter BA is (\$.5111) per Mcf. Western Lewis's revised total BA is (\$1.0373) per Mcf, which is a decrease of \$.4891 per Mcf from its previous total BA of (\$.5482) per Mcf.

6. Western Lewis's corrected GCR rate is \$2.7567 per Mcf, which is a decrease of \$1.6877 per Mcf from the previous GCR rate of \$4.4444 per Mcf.

7. The rates set forth in the Appendix to this Order are fair, just, and reasonable, and should be approved for service rendered by Western Lewis on and after October 1, 2016.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Western Lewis are denied.
2. Western Lewis shall continue to request that Atmos Energy marketing provide it with projections closer to those indicated by the market for natural gas in support of its future EGC's.

3. Western Lewis's request to use 24 months of sales volumes in the calculation of its current quarter AA is approved and 24 months of sales volumes should

likewise be used in the BA calculation. Any future use of 24 months instead of 12 months of sales volumes in AA or BA calculations must be specifically requested by Western Lewis and approved by the Commission.

3. The rates set forth in the Appendix to this Order are approved for service rendered by Western Lewis on and after October 1, 2016.

4. Within 20 days of the date of this Order, Western Lewis shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets setting out the rates approved herein and reflecting that they were approved pursuant to this Order.

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By the Commission

ENTERED
SEP 26 2016
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

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