

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

A PURCHASED GAS ADJUSTMENT)
FILING OF WESTERN KENTUCKY) CASE NO. 7157-II
GAS COMPANY)

O R D E R

On December 6, 1978, the Commission entered its Order in Case No. 7157, approving certain adjustments in rates and providing under certain conditions for the further adjustment of such rates when the wholesale cost of gas is increased, decreased or a refund is received.

On August 20, 1981, Western Kentucky Gas Company ("Applicant") filed its notice and application with the Commission stating that it had received a refund from two of its suppliers, Texas Gas Transmission Corporation ("Texas Gas") and Tennessee Gas Pipeline Company ("Tennessee Gas").

On June 15, 1981, the Supreme Court of the United States issued a judgment enjoining the state of Louisiana from future collections of the Louisiana First Use Tax on natural gas and directing Louisiana to refund all revenues collected, together with all interest earned by Louisiana

from the securities in which the revenues and interest have been invested. In compliance with the Supreme Court judgment, the state of Louisiana has agreed to make refunds to the pipelines within two business days of the date that the securities in which the revenues have been invested mature.

A schedule of refunds to be issued to the Applicant by Texas Gas is shown on Applicant's Exhibit 3, page 1. These refunds will be issued over a period beginning on July 30, 1981, and extending to June 15, 1982. The Applicant has not received a specific schedule from Tennessee Gas, but it is anticipated that payments from Tennessee Gas will be made on approximately this same schedule. The estimated refund that will be received from Texas Gas is \$2,199,452. Tennessee Gas' estimated refund is \$506,552. In addition, as the result of a retroactive reduction in the Louisiana Tax billings by Tennessee Gas, the Applicant over-collected \$17,024. The total estimated refundable amount is \$2,643,028.

The Applicant will receive this refund over a twelve month period and a twelve month refund period will result in the most equitable distribution of refunds to each class of customer.

The total estimated refundable amount in the filing is \$2,643,028. The Applicant proposes to refund this amount

to its customers over a period of twelve months in accordance with the refund provisions of the Applicant's purchased gas adjustment clause, said adjustment being designed to pass on to its customers a reduction in the amount of \$.0654 per thousand cubic feet of gas and that said adjustment be eliminated when the full amount to be refunded has been returned to the Applicant's customers.

After reviewing this evidence of record and being fully advised, the Commission is of the opinion and finds that:

(1) The Applicant has an estimated total refund in the amount of \$2,643,028 from its suppliers, Texas Gas and Tennessee Gas.

(2) A refund factor in the amount of \$.0654 per thousand cubic feet of gas should be used as a reduction in the purchased gas adjustment.

(3) Said refund should remain in effect for twelve months or until such time as the full amount plus interest has been returned to its customers.

(4) Said refund should begin with the Applicant's next billing cycle or as soon as practical.

(5) The Applicant should refund the amounts reported in its application plus interest at a rate equal to the average of the "3-Month Commercial Paper Rates" for the immediately preceding 12-month period less 1/2 of 1% to cover the costs of refunding. These monthly rates are reported in both the Federal Reserve Bulletin and the Federal Reserve Statistical Release.

IT IS THEREFORE ORDERED that Western Kentucky Gas Company apply a refund factor in the amount of \$.0654 per thousand cubic feet of gas as a reduction in the approved purchased gas adjustment beginning with the Applicant's next billing cycle, or as soon as practical, and remain in effect until such time as necessary so that the refund will, as nearly as possible, reflect the exact amount. The refund factor will terminate at such period of time that the refundable amount equals the refund herein reported plus interest.

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant in this case constitutes full compliance with the Commission's Order in Case No. 7157 and any other information ordinarily required to be filed under the Commission's rules is hereby waived.

Done at Frankfort, Kentucky, this 19th day of October,
1981.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary