

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE NOTICE OF PURCHASED GAS)
ADJUSTMENT FILING OF) CASE NO. 7341-J
BELFRY GAS, INC.)

O R D E R

On July 19, 1979, the Commission issued its Order in Case No 7341 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 or decreased.

On July 31, 1981, Columbia Gas Transmission Corporation ("Transmission"), filed with the Federal Energy Regulatory Commission ("FERC") a rate increase proposed to become effective September 1, 1981. The Commission has no jurisdiction in that case.

On August 11, 1981, Belfry Gas, Incorporated ("Applicant") notified the Commission that its wholesale cost of gas would be increased by its supplier, Transmission, effective September 1, 1981, and submitted with its Notice certain information in compliance with this Commission's Order of July 19, 1979. The Notice set out certain revisions in rates which the Applicant proposed to place in effect on and after September 1, 1981, said rates being designed to pass on the increased cost of natural gas from its supplier in the amount of \$71,916.46.

On November 9, 1978, the President of the United States signed into law the Natural Gas Policy Act of 1978, which established significantly higher rates for producers of certain categories of natural gas. This federal legislation has resulted in higher gas costs to interstate pipeline companies serving the various gas consuming states, including Kentucky. Once the FERC approves the right of these interstate transmission companies to pass this increased cost on to its distribution company customers, state commissions must, in turn, pass on the matter of intrastate distribution company customers recovering their increased cost of gas by adjusting their basic rates to their customers.

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

1. The Commission has long stated (in writing to FERC) its opposition to the procedures and regulations used by the Federal Energy Regulatory agency in approving these supplier increases. We continue to be opposed and are continuing to seek alternative ways to overcome the regulatory inequities which have such a direct impact on the retail consumers.

2. The FERC approval of a wholesale rate increase to a Kentucky gas retailer requires approval by the Commission of rates that will permit the Kentucky utility to adjust its customer charges to reflect the added purchase cost, or alternately the utility must absorb the added cost. We are of the opinion that failure to allow this increase to be passed through to its retail

consumers on a timely basis would be unjust to the Company and would ultimately result in higher rates to its consumers in any event.

3. The Applicant's supplier, Transmission, on July 31, 1981, filed with the FERC for increased rates to become effective September 1, 1981, and that the increase sought by the Applicant reflects Transmission's rates as so filed.

4. The Commission should allow the Applicant to place into effect, subject to refund, the rates set out in Appendix A on and after September 1, 1981.

5. The Applicant's adjustment in rates under the Purchased Gas Adjustment Clause approved by the Commission in its Order in Case No. 7341 dated July 19, 1979, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after September 1, 1981.

IT IS THEREFORE ORDERED that said purchased gas adjustment sought by the Applicant and adjusted as aforesaid mentioned be and the same is hereby approved, as set out in Appendix A attached hereto and made a part hereof, to be effective, subject to refund, with gas supplied on and after September 1, 1981.

IT IS FURTHER ORDERED that Applicant shall maintain its records in such manner as will enable it, or the Commission, or any of its customers to determine the amount to be refunded and to whom due in the event a refund is ordered by the Commission.

IT IS FURTHER ORDERED that for the purpose of the future application of the Purchased Gas Adjustment Clause of the Applicant the base rate for purchased gas shall be:

Commodity:

Columbia Gas Transmission Corporation

Schedule SGS

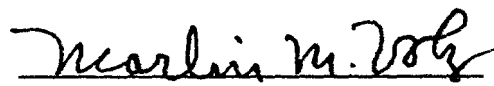
\$3.6217 per MCF

IT IS FURTHER ORDERED that the information furnished this Commission by Applicant on August 11, 1981, constitutes full compliance with the Commission's Order in Case No. 7341 and any other information ordinarily required to be filed under the Commission's Regulations is hereby waived.

IT IS FURTHER ORDERED that within 30 days after the date the increased cost of gas becomes effective, Applicant shall file with this Commission its revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 2nd day of September, 1981.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE
COMMISSION IN CASE NO. 7341-J DATED
SEPTEMBER 2, 1981

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

RATES: Monthly

First 1,000 cu. ft.

\$7.26 (Minimum Bill)

All Over 1,000 cu. ft.

4.75 per 1,000 cu. ft.